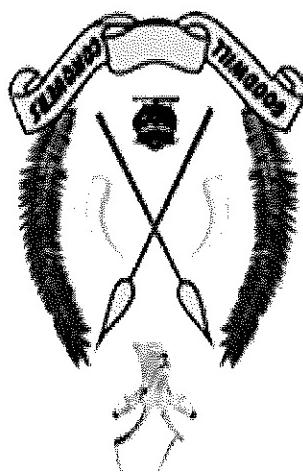
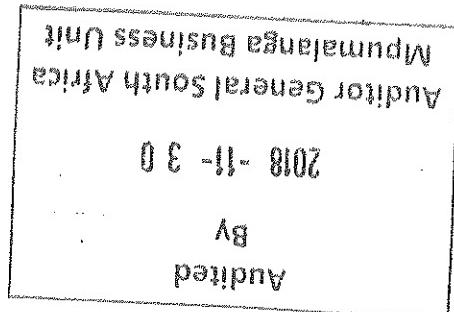


FOR THE YEAR ENDED 30 JUNE 2018
ANNUAL FINANCIAL STATEMENTS

BUSHBUCKRIDGE LOCAL MUNICIPALITY





AUDITORS
The Auditor General South Africa (AGSA)
Standard Bank of South Africa

General Information
Annual Financial Statements for the year ended 30 June 2018
BUSHBUCKRIDGE LOCAL MUNICIPALITY

| PAGE | Content |
|---------|--|
| 5 | Accounting Officers' Responsibilities and Approval |
| 6 | Audit Committee Report |
| 7 - 8 | Accounting Officers' Report |
| 9 | Statement of Financial Position |
| 10 | Statement of Financial Performance for the year ended 30 June 2018 |
| 11 | Statement of Changes in Net Assets as at 30 June 2018 |
| 12 | Cash Flow Statement as at 30 June 2018 |
| 13 - 17 | Statement of Comparison of Budget and Actual for the year ended 30 June 2018 |
| 17 - 42 | Accounting Policies for the year ended 30 June 2018 |
| 43 - 77 | Notes to the Annual Financial Statements for the year ended 30 June 2018 |

The reports and statements set out below comprise the annual financial statements presented to the council:

| | |
|----------------|--|
| AGSA | Auditor General of South Africa |
| EPPW | Expanded Public Works Programme |
| FMG | Finance Management Grant |
| IFRS | Generally Recognised Accounting Practice |
| INEP | Integrated National Electrification Programme |
| IPSAS | International Public Sector Accounting Standards |
| IPSASB | International Public Sector Accounting Standards Board |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| MSCOA | Municipal Standard Chart of Account |
| MSIG | Municipal System Improvement Grant |
| MWIG | Municipal Water Infrastructure Grant |
| RBIG | Regional Bulk Infrastructure Grant |
| SALGA | South African Local Government Association |
| VAT | Value Added Taxation |
| WSIG | Water Service Infrastructure Grant |
| 2018 - II - 30 | Audited By Auditor General South Africa Wlbumalaanga Businesses Unit |

Mpumalanga Business Unit
Audit General South Africa

Mrs. CA Nkuna (Appointed 01 July 2018) Accounting Officer

The annual financial statements set out on pages 7 to 17, which have been prepared on the going concern basis, are approved by the council and signed on their behalf by the Accounting Officer on 31 August 2018

The accounting officer has reviewed the financial position's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operation for the foreseeable future.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of financial control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable assurance against material misstatement or deficit.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that is in the best interest of the community. The accounting officer ensures that in all reasonable circumstances it is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The annual financial statements have been prepared in accordance with generally recognised accounting principles (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and Municipal Finance Management Act (MFMAct).

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The extreme auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

Accounting Officer's Responsibilities and Approval

Annual Financial Statements for the year ended 30 June 2018

| | |
|--------------------------|------------------------------|
| Mpumalanga Business Unit | Auditor General South Africa |
| 2018 - II - 30 | Date: |
| By Audited | |

Chairperson of the Audit Committee

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The external auditors used internal audit reports for risk identification purposes.

INTERNAL AUDIT

- reviewed the draft annual financial statements and management's response thereto.

The audit committee has:

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

Accounting Officer of the municipality during the year under review.

The audit committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the

QUALITY OF PERIODIC REPORTS

The system of internal controls over financial management is effective, efficient and transparent. In line with the MFA and the King IV Report on Corporate Governance requirements, internal Audit provides assurance and risk management over financial management is effective, efficient and transparent. The audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of internal controls or any deviations there from are disclosed in their Audit Report.

THE EFFECTIVENESS OF INTERNAL CONTROL

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The audit committee reports that it has compiled with its responsibilities arising from section 166(2)(a) of the MFA.

AUDIT COMMITTEE RESPONSIBILITY

| | | |
|-----------------------------|-----------------------------|----------------------------|
| Mr. Ngobeni J (Chairperson) | 9 (joined 26 January 2017) | Rev. Bhegugu FMV CA(SA) |
| Mr. Kyszer AC | 9 (joined 05 December 2015) | Mr. Sithole JK CA(SA) |
| Dr. Mazibhanda T (PhD) | 9 (joined 03 December 2015) | 9 (joined 26 January 2017) |
| Mr. Sithole JK CA(SA) | 2 (joined 01 May 2018) | 2 (joined 01 May 2018) |

The audit committee consists of the members listed hereunder and meets on a regular basis per annum as per its approved terms of reference. During the current year nine meetings were held.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

We are pleased to present our report for the financial year ended 30 June 2018.

Audit Committee Report

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

| | | | | | | | | | | | | |
|---|----------------------------------|------------------------------|-----------------------|---------------|-------------------|-----------------------------|---------------------|--|--------------------|---------------------------------|---|----|
| 7 | BUSHBUCKRIDGE LOCAL MUNICIPALITY | MAIN BUSINESS AND OPERATIONS | REVIEWS OF ACTIVITIES | GOING CONCERN | SUBSEQUENT EVENTS | ACCOUNTING OFFICERS' REPORT | ACCOUNTING POLICIES | ACCOUNTING OFFICERS' INTEREST IN CONTRACTS | ACCOUNTING OFFICER | THE ANNUAL FINANCIAL STATEMENTS | THE ACCOUNTING OFFICER DECLARED HER INTEREST IN TERMS OF THE SUPPLY CHAIN MANAGEMENT REGULATIONS. | 6. |
| | | | | | | | | | | | | |

| | | | | | | | | | | | | |
|------|-------------|-------------|----------|--------------------------------|---------------|----------------------------|---------------|------------------------|--|--------------|---------------|-----------------------------|
| Name | Mr CJ Lisea | Nationality | Changeng | Contract ended 31 January 2018 | South African | Appointed 01 February 2018 | South African | Appointed 01 July 2018 | Mrs. CA Nkuna (Appointed 01 July 2018) | Mr E Masheva | South African | Contract ended 30 June 2018 |
|------|-------------|-------------|----------|--------------------------------|---------------|----------------------------|---------------|------------------------|--|--------------|---------------|-----------------------------|

The accounting officers of the municipality during the year end to the date of this report are as follows:

6. ACCOUNTING OFFICER

The annual financial statements were prepared in accordance with the South African Statements of Generality Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standard Board and as per the prescribed framework by National Treasury.

5. ACCOUNTING POLICIES

The Accounting Officer declared her interest in terms of the Supply Chain Management Regulations.

4. ACCOUNTING OFFICERS' INTEREST IN CONTRACTS

The municipality has agreed to follow the following with the employees in terms of payments:

- 1. 31 October 2018 - payment of back pay for the month of October 2018.
- 2. 25 November 2018 - payment of back pay for the month of November 2018.
- 3. No later than 31 December 2018 - payment of back pay for the 3 months due from July - September 2018.
- 4. Later than 31 December 2018 - engagement on a revised settlement date. The municipality is in the process of determining the cost which the parties will engage on a revised settlement date. The remaining balance provided funds are permitting. Falling implications of this exercise at the time of finalising the audit.

The municipality had taken the matter to court and as at year-end; the matter had not been finalized. The municipality has a potential obligation to employees with the labour union regarding the implementation of this matter as it is the view of management that the municipality cannot afford to pay the amount outstanding.

Council took a resolution in March 2014 in terms of which employees that are on the entry level will move one level after 12 months of service and all other employees will move one level after three years of service from the date of the resolution. The resolution was not implemented and the matter was taken to bargaining council by the labor union, which ruled in their favor.

3. SUBSEQUENT EVENTS

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, continuing obligations and commitments will occur in the ordinary course of business.

2. GOING CONCERN

The municipality is engaged in the provision of municipal services in terms of Municipal Systems Act no: 32 of 2010 (MSA) and Municipal Finance Management Act 56 of 2003 (MFM). Net surpluses for the year ended 30 June 2018 was R 499,436,717 (2017: Surplus R 30,231,769).

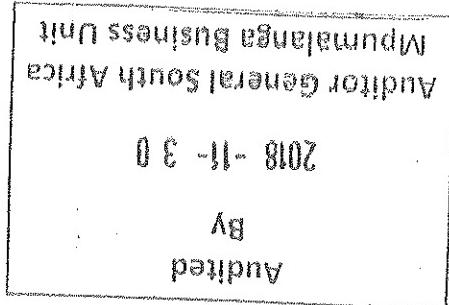
MAIN BUSINESS AND OPERATIONS

1. REVIEW OF ACTIVITIES

The Accounting Officer submitted her report for the year ended 30 June 2018.

Accounting Officers' Report

Annual Financial Statements for the year ended 30 June 2018



The Auditor General South Africa AG(SA) will continue to audit the financial affairs of the municipality.

9. AUDITORS

The municipality's bankers did not change during the year under review. First National Bank is the primary banker of the municipality.

8. BANKERS

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 56 of 2003.

INTERNAL AUDIT

The municipality confirms its responsibility to total compliance with the Code of Corporate Governance Practices and Conduct ("the Code") laid out in the King IV Report. The Accounting Officer discusses the responsibilities of management in this respect, at management meetings and monitors the municipality's compliance with the code on a regular basis.

The Accounting Officer is committed to business integrity, transparency and professionalism in all activities. As part of this commitment, the Accounting Officer supports the highest standards of corporate governance and the ongoing development of best practice.

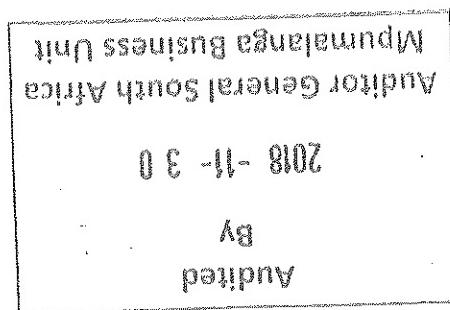
GENERAL

7. CORPORATE GOVERNANCE

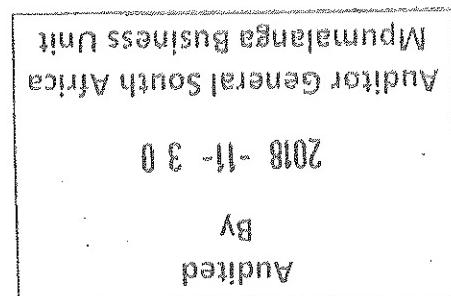
Accounting Officer's Report

Annual Financial Statements for the year ended 30 June 2018
BUSHBUCKRIDGE LOCAL MUNICIPALITY

| Statement of Financial Position as at 30 June 2018 | | Figures in Rand | |
|--|---------------|-----------------|---------------|
| Note(s) | 2018 | 2017 | Restated* |
| Assets | | | |
| Current Assets | | | |
| Inventories | 3,115,673 | 2,801,098 | 3,115,673 |
| Receivables from non-exchange transactions | 431,067,762 | 514,933,398 | 431,067,762 |
| VAT receivable | 118,158,372 | 73,346,266 | 118,158,372 |
| Receivables from exchange transactions | 98,339,417 | 109,805,713 | 98,339,417 |
| Cash and cash equivalents | 996,588,291 | 951,461,031 | 996,588,291 |
| Non-Current Assets | | | |
| Investment property | 2,991,747,060 | 3,334,125,844 | 2,991,747,060 |
| Property, plant and equipment | 10,063,962 | 9,159,315 | 10,063,962 |
| Intangible assets | 891,041 | 632,048 | 891,041 |
| Total Assets | 3,002,702,063 | 3,343,917,207 | 3,954,163,094 |
| Liabilities | | | |
| Current Liabilities | | | |
| Payables from exchange transactions | 551,285,681 | 436,581,295 | 551,285,681 |
| Consumer deposits | 2,440,536 | 2,454,242 | 2,440,536 |
| Provisions | 57,731,376 | 52,657,298 | 57,731,376 |
| Unspent conditional grants and receipts | 7,580,329 | 330,595 | 7,580,329 |
| Current Liabilities | 619,037,922 | 492,023,430 | 619,037,922 |
| Non-Current Liabilities | | | |
| Payables from exchange transactions | 551,285,681 | 436,581,295 | 551,285,681 |
| Consumer deposits | 2,440,536 | 2,454,242 | 2,440,536 |
| Provisions | 57,731,376 | 52,657,298 | 57,731,376 |
| Unspent conditional grants and receipts | 7,580,329 | 330,595 | 7,580,329 |
| Non-Current Liabilities | 664,152,683 | 561,058,370 | 664,152,683 |
| Total Liabilities | 3,789,447,128 | 3,290,010,411 | 3,789,447,128 |
| Net Assets | 3,290,010,411 | 3,290,010,411 | 3,290,010,411 |
| Accumulated surpluses | | | |
| Audited General South Africa | | | |
| Mpumalanga Business Unit | | | |
| By | | | |
| 2018 - II - 30 | | | |
| Audited | | | |



| | Notes(s) | 2018 | 2017 | Figures in Rand |
|---|----------|-----------------|---------------|-----------------|
| Statement of Financial Performance for the year ended 30 June 2018 | | | | |
| Revenue | | | | |
| Service charges | 15 | 37,583,578 | 39,388,438 | |
| Rental of facilities and equipment | 16 | 795,901 | 1,108,530 | |
| Agency services | 17 | 11,614,736 | 10,353,927 | |
| Licences and permits | 18 | 589,885 | 153,310 | |
| Operating income | 19 | 5,021,189 | 12,175,834 | |
| Interest earned | 20 | 123,785,323 | 121,533,340 | |
| Gain on disposal of assets | - | 167,390 | - | Actuarial gains |
| Total revenue from exchange transactions | | 179,558,002 | 187,234,725 | |
| Revenue from non-exchange transactions | | | | |
| Transfers and subsidies | 22 | 1,207,193,961 | 1,321,757,494 | |
| Public contributions and donations | 23 | 7,041,592 | 11,120,498 | |
| Fines and penalties | 24 | 44,454,673 | 11,761,564 | |
| Total revenue from non-exchange transactions | | 1,444,314,461 | 1,504,920,356 | |
| Total revenue | | 1,623,872,463 | 1,692,155,081 | |
| Expenditure | | | | |
| Employee related costs | 25 | (405,806,934) | (362,349,050) | |
| Remuneration of councillors | 26 | (28,072,033) | (28,075,753) | |
| Depreciation and amortisation | 27 | (95,974,687) | (83,131,938) | |
| Impairment loss/ Reversal of impairments | 28 | (7,944,908) | - | |
| Finance costs | 29 | (19,331,593) | (22,850,016) | |
| Debt impairment | 30 | (161,014,044) | (69,547,148) | |
| Bulk purchases | 31 | (196,493,342) | (212,877,636) | |
| Contracted services | 32 | (146,052,409) | (109,253,984) | |
| Transfers and subsidies | 33 | (13,617,199) | (16,600,813) | |
| Loss on disposal of assets and liabilities | 34 | (50,128,597) | (9,627,119) | |
| General expenses | | (47,609,855) | (47,609,855) | |
| Total expenditure | | (1,124,435,746) | (961,923,312) | |
| Surplus for the year | | 499,436,717 | 730,231,769 | |

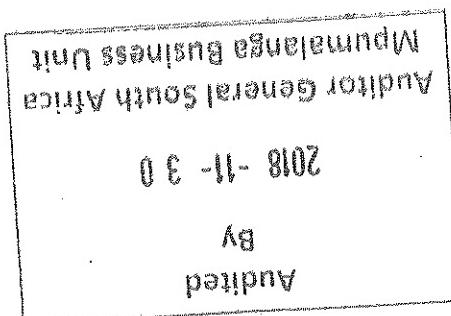


| Statement of Changes in Net Assets as at 30 June 2018 | | Annual Financial Statements for the year ended 30 June 2018 | |
|---|-----------------------|---|------------------------|
| Figures in Rand | | | |
| Total net assets | Accumulated surpluses | Surpluses for the year | Prior year adjustments |
| 2,625,446,958 | 2,625,446,958 | 730,231,769 | (65,890,055) |
| 730,231,769 | 730,231,769 | 221,739 | 221,739 |
| 664,563,453 | 664,563,453 | | |
| 3,290,010,411 | 3,290,010,411 | | |
| Restated balance at 01 July 2017 | | | |
| Net income (losses) recognised directly in net assets | | | |
| Surpluses for the year | | | |
| Total changes | | | |
| Balance at 30 June 2018 | | | |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Statement of Changes in Net Assets as at 30 June 2018



| CASH FLOW STATEMENT AS AT 30 JUNE 2018 | | |
|--|---------------|---------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Receipts in Rand | 2018 | 2017 |
| Receipts from customers | 159,764,298 | 58,651,072 |
| Grants | 1,193,386,000 | 1,267,881,503 |
| Interest earned | 13,457,755 | 13,355,531 |
| Payments | 1,366,608,053 | 1,339,888,106 |
| Employee costs | (433,878,967) | (390,424,803) |
| Suppliers | (476,172,224) | (373,279,408) |
| Finance costs | (54,109) | (32,667) |
| Net cash flows from operating activities | 37 | 456,502,753 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | 9 | (445,207,732) |
| Purchases from sale of assets | 10 | 171,275 |
| Purchases of intangible assets | - | 1,238,517 |
| Net cash flows from investing activities | (445,036,457) | (613,394,528) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | | |
| Net increase in cash and cash equivalents | 11,466,296 | (37,243,300) |
| Cash and cash equivalents at the beginning of the year | 98,339,417 | 135,582,717 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | | |
| Cash and cash equivalents at the end of the year | 109,805,713 | 98,339,417 |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Statement of Comparision of Budget and Actual for the Year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

| Budget on Accrual Basis | Approved | Adjusted | Final Budget | Actual | Difference | Amounts on budget and final basis | Comparison | Figures in Rand |
|-------------------------|----------|----------|--------------|--------|------------|-----------------------------------|------------|-----------------|
|-------------------------|----------|----------|--------------|--------|------------|-----------------------------------|------------|-----------------|

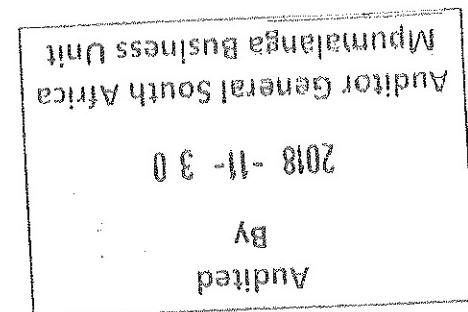
| Statement of Financial Performance | | | | | | | | |
|--|-----------------|--------------|---------------|-----------------|--------------|---------|---------|--|
| Revenue | | | | | | | | |
| Revenue from exchange transactions | | | | | | | | |
| Transactions | | | | | | | | |
| Revenue from non-exchange transactions | | | | | | | | |
| Revenue from exchange transactions | | | | | | | | |
| Revenue from financial instruments | | | | | | | | |
| Revenue from grants & subsidies | | | | | | | | |
| Revenue from donations and public contributions and grants | | | | | | | | |
| Revenue from fines, penalties and forfeits | | | | | | | | |
| Revenue from exchange rate movements | | | | | | | | |
| Total revenue | 1,582,979,000 | 58,200,000 | 1,641,179,000 | 1,623,705,073 | (17,473,927) | | | |
| Expenditure | | | | | | | | |
| Expenditure on personnel | | | | | | | | |
| Employee costs | | | | | | | | |
| Remuneration of councillors | | | | | | | | |
| Depreciation and amortisation | | | | | | | | |
| Impairment loss/ Reversal of impairment | | | | | | | | |
| Finance costs | | | | | | | | |
| Debtors impairment | | | | | | | | |
| Bulky purchases | | | | | | | | |
| Contracted services | | | | | | | | |
| General expenses | | | | | | | | |
| Other materials | | | | | | | | |
| Total expenditure | (1,029,942,000) | (70,956,000) | (100,898,000) | (1,124,435,746) | (23,537,746) | | | |
| Operating surplus/loss | | | | | | | | |
| Surplus before taxation | 553,037,000 | (12,756,000) | 540,281,000 | 499,436,717 | (40,844,283) | | | |
| (Loss)/Gains on disposal of assets | 553,037,000 | (12,756,000) | 540,281,000 | 499,269,327 | (41,011,673) | 167,390 | 167,390 | |
| Audited | | | | | | | | |
| 2018 - II - 30 | | | | | | | | |
| Auditor General South Africa | | | | | | | | |
| Mpumalanga Business Unit | | | | | | | | |

| Comprehensive Statement | Basis as Presented in the Budget and Actual | Actual Amount on Comparable basis | Final Budget | Difference | Amounts on budget and final basis | Reference | Approved | Adjusted |
|--|---|-----------------------------------|---------------|---------------|-----------------------------------|--------------|----------|----------|
| Other materials | (25,839,000) | (577,000) | (26,416,000) | - | - | 26,416,000 | 18 | |
| General expenses | (137,955,000) | (21,263,000) | (159,218,000) | (50,128,597) | 109,089,403 | 109,089,403 | 17 | |
| Contracted services | (10,565,000) | - | (10,565,000) | (13,617,199) | (3,550,409) | (3,550,409) | 15 | |
| Bulky purchases | (44,952,000) | (7,550,000) | (225,500,000) | (199,493,342) | 29,006,658 | 29,006,658 | 14 | |
| Debtors impairment | (122,304,000) | 49,404,000 | (73,264,000) | (161,014,044) | (87,750,044) | (87,750,044) | 13 | |
| Finance costs | (342,000) | (200,000) | (542,000) | (19,331,593) | (18,789,593) | (18,789,593) | 12 | |
| Impairment losses | - | - | - | - | (7,944,908) | (7,944,908) | 11 | |
| Remuneration of councillors | (32,377,000) | 3,000,000 | (29,377,000) | (28,072,033) | 1,304,967 | 1,304,967 | 10 | |
| Depreciation and amortisation | (72,000,000) | (7,000,000) | (79,000,000) | (95,974,687) | (16,974,687) | (16,974,687) | 10 | |
| Impairment loss/ Reversal of impairment | - | - | - | - | (7,944,908) | (7,944,908) | 11 | |
| Debtors impairment and amortisation | (358,608,000) | (85,906,000) | (444,514,000) | (405,806,934) | 38,707,066 | 38,707,066 | 9 | |
| Other materials | (2,756,000) | 4,000,000 | 6,756,000 | 44,454,673 | 37,698,673 | 37,698,673 | 8 | |
| Fines, penalties and forfeits | 1,404,757,000 | 4,000,000 | 1,408,757,000 | 1,444,314,461 | 35,557,461 | 35,557,461 | | |
| Donations | - | - | - | - | 7,041,592 | 7,041,592 | 7 | |
| Public contributions and grants | 1,207,212,000 | - | 1,207,212,000 | 1,207,193,951 | (18,049) | (18,049) | | |
| Government grants & subsidies | 1,207,212,000 | - | 1,207,212,000 | 1,207,193,951 | (18,049) | (18,049) | | |
| Transfers revenue | | | | | | | | |
| Transfers and grants | | | | | | | | |
| Government grants & subsidies | | | | | | | | |
| Total transfers and grants | 1,404,757,000 | 4,000,000 | 1,408,757,000 | 1,444,314,461 | 35,557,461 | 35,557,461 | | |
| Revenue from non-exchange transactions | | | | | | | | |
| Transactions | | | | | | | | |
| Revenue from financial instruments | | | | | | | | |
| Total revenue from exchange transactions | 1,582,979,000 | 58,200,000 | 1,641,179,000 | 1,623,705,073 | (17,473,927) | | | |

| Comprehensive Statement | Basis as Presented in the Budget and Actual | Actual Amount on Comparable basis | Final Budget | Difference | Amounts on budget and final basis | Reference | Approved | Adjusted |
|--|---|-----------------------------------|---------------|---------------|-----------------------------------|--------------|----------|----------|
| Other materials | (25,839,000) | (577,000) | (26,416,000) | - | - | 26,416,000 | 18 | |
| General expenses | (137,955,000) | (21,263,000) | (159,218,000) | (50,128,597) | 109,089,403 | 109,089,403 | 17 | |
| Contracted services | (10,565,000) | - | (10,565,000) | (14,602,409) | (3,550,409) | (3,550,409) | 15 | |
| Bulky purchases | (44,952,000) | (7,550,000) | (225,500,000) | (199,493,342) | 29,006,658 | 29,006,658 | 14 | |
| Debtors impairment | (122,304,000) | 49,404,000 | (73,264,000) | (161,014,044) | (87,750,044) | (87,750,044) | 13 | |
| Finance costs | (342,000) | (200,000) | (542,000) | (19,331,593) | (18,789,593) | (18,789,593) | 12 | |
| Impairment losses | - | - | - | - | (7,944,908) | (7,944,908) | 11 | |
| Remuneration of councillors | (32,377,000) | 3,000,000 | (29,377,000) | (28,072,033) | 1,304,967 | 1,304,967 | 10 | |
| Depreciation and amortisation | (72,000,000) | (7,000,000) | (79,000,000) | (95,974,687) | (16,974,687) | (16,974,687) | 10 | |
| Impairment loss/ Reversal of impairment | - | - | - | - | (7,944,908) | (7,944,908) | 11 | |
| Debtors impairment and amortisation | (358,608,000) | (85,906,000) | (444,514,000) | (405,806,934) | 38,707,066 | 38,707,066 | 9 | |
| Other materials | (2,756,000) | 4,000,000 | 6,756,000 | 44,454,673 | 37,698,673 | 37,698,673 | 8 | |
| Fines, penalties and forfeits | 1,404,757,000 | 4,000,000 | 1,408,757,000 | 1,444,314,461 | 35,557,461 | 35,557,461 | | |
| Donations | - | - | - | - | 7,041,592 | 7,041,592 | 7 | |
| Public contributions and grants | 1,207,212,000 | - | 1,207,212,000 | 1,207,193,951 | (18,049) | (18,049) | | |
| Government grants & subsidies | 1,207,212,000 | - | 1,207,212,000 | 1,207,193,951 | (18,049) | (18,049) | | |
| Transfers revenue | | | | | | | | |
| Transfers and grants | | | | | | | | |
| Government grants & subsidies | | | | | | | | |
| Total transfers and grants | 1,404,757,000 | 4,000,000 | 1,408,757,000 | 1,444,314,461 | 35,557,461 | 35,557,461 | | |
| Revenue from exchange transactions | | | | | | | | |
| Transactions | | | | | | | | |
| Revenue from financial instruments | | | | | | | | |
| Total revenue from exchange transactions | 1,582,979,000 | 58,200,000 | 1,641,179,000 | 1,623,705,073 | (17,473,927) | | | |

| Comprehensive Statement | Basis as Presented in the Budget and Actual | Actual Amount on Comparable basis | Final Budget | Difference | Amounts on budget and final basis | Reference | Approved | Adjusted |
|--|---|-----------------------------------|---------------|---------------|-----------------------------------|--------------|----------|----------|
| Other materials | (25,839,000) | (577,000) | (26,416,000) | - | - | 26,416,000 | 18 | |
| General expenses | (137,955,000) | (21,263,000) | (159,218,000) | (50,128,597) | 109,089,403 | 109,089,403 | 17 | |
| Contracted services | (10,565,000) | - | (10,565,000) | (14,602,409) | (3,550,409) | (3,550,409) | 15 | |
| Bulky purchases | (44,952,000) | (7,550,000) | (225,500,000) | (199,493,342) | 29,006,658 | 29,006,658 | 14 | |
| Debtors impairment | (122,304,000) | 49,404,000 | (73,264,000) | (161,014,044) | (87,750,044) | (87,750,044) | 13 | |
| Finance costs | (342,000) | (200,000) | (542,000) | (19,331,593) | (18,789,593) | (18,789,593) | 12 | |
| Impairment losses | - | - | - | - | (7,944,908) | (7,944,908) | 11 | |
| Remuneration of councillors | (32,377,000) | 3,000,000 | (29,377,000) | (28,072,033) | 1,304,967 | 1,304,967 | 10 | |
| Depreciation and amortisation | (72,000,000) | (7,000,000) | (79,000,000) | (95,974,687) | (16,974,687) | (16,974,687) | 10 | |
| Impairment loss/ Reversal of impairment | - | - | - | - | (7,944,908) | (7,944,908) | 11 | |
| Debtors impairment and amortisation | (358,608,000) | (85,906,000) | (444,514,000) | (405,806,934) | 38,707,066 | 38,707,066 | 9 | |
| Other materials | (2,756,000) | 4,000,000 | 6,756,000 | 44,454,673 | 37,698,673 | 37,698,673 | 8 | |
| Fines, penalties and forfeits | 1,404,757,000 | 4,000,000 | 1,408,757,000 | 1,444,314,461 | 35,557,461 | 35,557,461 | | |
| Donations | - | - | - | - | 7,041,592 | 7,041,592 | 7 | |
| Public contributions and grants | 1,207,212,000 | - | 1,207,212,000 | 1,207,193,951 | (18,049) | (18,049) | | |
| Government grants & subsidies | 1,207,212,000 | - | 1,207,212,000 | 1,207,193,951 | (18,049) | (18,049) | | |
| Transfers revenue | | | | | | | | |
| Transfers and grants | | | | | | | | |
| Government grants & subsidies | | | | | | | | |
| Total transfers and grants | 1,404,757,000 | 4,000,000 | 1,408,757,000 | 1,444,314,461 | 35,557,461 | 35,557,461 | | |
| Revenue from exchange transactions | | | | | | | | |
| Transactions | | | | | | | | |
| Revenue from financial instruments | | | | | | | | |
| Total revenue from exchange transactions | 1,582,979,000 | 58,200,000 | 1,641,179,000 | 1,623,705,073 | (17,473,927) | | | |

| Statement of Comparison of Budget and Actual for the year ended 30 June 2018 | | | | | | |
|--|-----------------|---------------|---------------|--|---|---|
| Budget on Accrual Basis | | | | | | |
| Approved budget | Adjustments | Final Budget | Actual | Difference between final budget and actual | Reference basis | Figures in Rand |
| 4,127,000 | - 4,127,000 | 2,801,098 | (1,325,902) | 19 | Inventories from non-exchange | 587,312,000 514,933,398 (72,378,602) 20 |
| 848,486,000 | - 848,486,000 | 73,346,266 | 295,701,816 | 21 | VAT receivables from exchange transactions | 848,486,000 73,346,266 295,701,816 (552,784,184) 21 |
| 85,000,000 | - 85,000,000 | 109,805,713 | 24,805,713 | 23 | Cash and cash equivalents | 1,524,925,000 - 1,524,925,000 996,588,291 (528,336,709) |
| 3,154,240,000 | - 3,154,240,000 | 3,334,125,844 | 179,886,844 | 24 | Non-Current Assets | 3,159,315 9,159,315 |
| 1,301,000 | - 1,301,000 | 632,048 | (668,952) | 26 | Investment property, plant and equipment | 1,355,541,000 - 3,155,541,000 3,343,917,207 188,376,207 |
| 4,680,466,000 | - 4,680,466,000 | 4,340,505,498 | (339,960,502) | | Total Assets | 4,680,466,000 - 4,680,466,000 4,340,505,498 (339,960,502) |
| 401,614,000 | - 401,614,000 | 436,581,290 | 34,967,290 | 27 | Current Liabilities | Payables from exchange transactions |
| 401,614,000 | - 401,614,000 | 436,581,290 | 34,967,290 | 27 | Non-Current Liabilities | Transacitons from consumer deposits and receivables |
| 2,454,242 | - 2,454,242 | 2,457,298 | 330,595 | 28 | Total Liabilities | Consumer deposits and receivables |
| 401,614,000 | - 401,614,000 | 492,023,425 | 90,409,425 | 29 | Net Assets | Non-Current Liabilities |
| 138,443,000 | - 138,443,000 | 59,034,940 | (79,408,060) | | Provislions | Transactions from grants and receivables |
| 540,057,000 | - 540,057,000 | 551,058,365 | 11,001,365 | | Total Liabilities | Unspent conditional grants and receivables |
| 4,140,409,000 | - 4,140,409,000 | 3,789,447,133 | (350,961,867) | | Net Assets Attributable to Owners of Controlling Entity | Accumulated surplus |
| 4,140,409,000 | - 4,140,409,000 | 3,789,447,133 | (350,961,867) | | Reserves | |
| Audited By 2018 - II - 30 | | | | | | |
| Auditor General South Africa Mpumalanga Business Unit | | | | | | |



| Statement of Comparison of Budget and Actual for the year ended 30 June 2018 | | | | | | |
|---|-----------------|-------------|---------------|---------------|--|-----------------|
| Budget on Accrual Basis | | | | | | |
| | Approved Budget | Adjustments | Final Budget | Actual | Difference between Final budget and actual | Reference basis |
| Receipts | 91,929,000 | 66,422,000 | 158,351,000 | 159,764,298 | 1,413,298 | |
| Grants | 1,207,212,000 | - | 1,207,212,000 | 1,193,386,000 | (13,826,000) | |
| Interest income | 27,110,000 | - | 27,110,000 | 13,457,755 | (13,652,245) | 30 |
| Cash flows from operating activities | 1,326,251,000 | 66,422,000 | 1,392,673,000 | 1,366,608,053 | (26,064,947) | |
| Payments | (807,439,000) | - | (807,439,000) | (910,051,191) | (102,612,191) | 31 |
| Suppliers and employee costs | (342,000) | (200,000) | (542,000) | (541,093) | 487,891 | 32 |
| Finance costs | (10,168,000) | - | (10,168,000) | - | 10,168,000 | 33 |
| Transfers and subsidies | (10,168,000) | (200,000) | (542,000) | (818,149,000) | (910,105,300) | 34 |
| Net cash flows from operating activities | 508,302,000 | 66,222,000 | 574,524,000 | 456,502,753 | (118,021,247) | |
| Cash flows from investing activities | (553,041,000) | - | (553,041,000) | (445,207,732) | 107,833,268 | 33 |
| Purchase of property, plant and equipment | (553,041,000) | - | (553,041,000) | (445,207,732) | 107,833,268 | 33 |
| Proceeds from sale of property, plant and equipment & intangible assets | 750,000 | - | 750,000 | 171,275 | (578,725) | 34 |
| Net cash flows from investing activities | (552,291,000) | - | (552,291,000) | (445,036,457) | 107,254,543 | |
| Cash flows from financing activities | (553,041,000) | - | (553,041,000) | (445,207,732) | 107,833,268 | 33 |
| Purchases of property, plant and equipment | (553,041,000) | - | (553,041,000) | (445,207,732) | 107,833,268 | 33 |
| Proceeds from sale of property, plant and equipment & intangible assets | 750,000 | - | 750,000 | 171,275 | (578,725) | 34 |
| Net cash flows from financing activities | (552,291,000) | - | (552,291,000) | (445,036,457) | 107,254,543 | |
| Net increase/(decrease) in cash and cash equivalents at the beginning of the year | (43,989,000) | 66,222,000 | 22,233,000 | 11,466,296 | (10,766,704) | |
| Cash and cash equivalents at the end of the year | 81,774,000 | 66,222,000 | 147,996,000 | 109,805,713 | (38,190,287) | |

Annual Financial Statement for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

1. Service charges : the variance is due to a considerable number of faulty meters and slow formalisation of tenancies.
2. Rental of facilities and equipment : due to slow economic growth and persistent economic challenges there was insigificant take up of rental properties and equipment by the business and community.
3. Agency services: the municipality collected more form license and car registrations as well as drivers licencing. Automated process through e-Natis has improved the operations hence the DLTCS have capacity to serve more people.
4. Licenses and permits: the municipality had anticipated to register more business licenses in the current year. Due to slow economic growth this was not achieved.
5. Other income: the variance is due to insurance refund and a debtor raised against Eskom which was not anticipated during budget preparation.
6. Interest on outstanding debts: due to the slow payment of debtors the municipality realised an increase in interest on outstanding balances.
7. Public contributions and donations: the donations from quasi government and private sector were not anticipated at the budget stage.
8. Fines, penalties and forfeits: through the contracted service provider the municipality issued a substantial number of traffic tickets hence the higher revenue.
9. Employee related costs: the variance was due to the revised approved program to cater for vacant positions which were substantially filled.
10. Depreciation: the ageing infrastructure reaching its useful lives and significant write downs due to the full verification carried out by the municipality in the 2017-18 period.
11. Impairment loss: the municipality embarked on the full verification and conditional assets of all municipal assets and this resulted in the impairment loss which was not budgeted for.
12. Debt impairment: the municipality collection rate was low from households and business during the year and a considerable number of consumers are negligent hence an marginal increase in impairment.
13. Bulk purchases: water restrictions and cuts led to low usage hence low billings from Rand Water.
14. Finance costs: the interest largely consists of Rand water interest billing on disputed readings. The dispute resolution process as per the signed agreement is underway.
15. Contracted Services: the reclassification expenses from operating expenditure,repairs and maintenance to be in line with the MSCOA and adherance to GRAP reporting framework led to the significant variances.
16. General/ Operating expenses: the reclassification to be in line with the MSCOA and GRAP reporting framework led to the significant variances.
- 17 & 18. General/ Operating expenses: the reclassification to be in line with the MSCOA and GRAP reporting framework led to the significant variances.
19. Inventories: through proper inventory management, maintaining a reader levels through automated processes the municipality did not hold up large quantities of inventory during the year.
20. Recyclable from non exchange: Government debtors paid for property rates in the current year, this was mainly enhanced through government forums, intervention by COGTA, Provincial Treasury and the Premier office.
21. VAT receivable: this was a result of proper application controls to ensure accuracy on both input and output VAT.

VARIANCE EXPLANATIONS.

| Notes to the Annual Financial Statements for the year ended 30 June 2018 Business Unit | Auditor General South Africa | Annual Financial Statements for the year ended 30 June 2018 | Figures in Rand |
|--|------------------------------|---|-----------------|
| 2018 - II - 30 | 2018 | 2018 | 2017 |
| Audited | By | By | By |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand
2018 2017

22. Receivables from exchange: With low collection rates which have been prevalent in prior years, there was an anticipated higher debtors book.

23. Cash and cash equivalents: Through proper management of cashflows a positive balance was achieved.

24. Investment property: During the budget stage this was bundled together as property plant and equipment.

25. Property, plant and equipment: Increased funding for capital projects for MIG, WSIG and RBLG led to the implementation of capital projects hence increase in asset base than anticipated during budget preparation.

26. Intangible Assets: The municipality had anticipated to buy more software for MSCOA implementation which was not the case during the year.

27. Payables from exchange transactions: The municipality settled long outstanding creditors including the Rand Water debt leading to the reduction in accounts payable.

28. Consumer deposits: During the budget phase, these were included in payables from exchange transactions.

29. Provisions: The useful lives of landfill sites were reviewed to nil thus the re habilitation costs falls due in the next twelve months.

30. Interest income: lower interest earned from the bank balances than anticipated.

31. Supplier and employee costs: The variance is due to increased expenditure in the year under review and payments made in the settlement of creditors, including significant payment to reduce the Rand Water balance.

32. Finance cost: The outflow of cash through finance cost was minimum as the municipality was ensuring a significant number of payments are done within 30 days.

33. Transfers and subsidies: All the actual payments are grouped under suppliers and employee cost and this class of transaction was erroneously budgeted for.

34. Purchase of current year Assets: The cash paid for the asset additions was less than anticipated though a significant involvement was accrued and paid in the new year.

35. Proceeds from sale of assets: The assets approved by council and eventually sold were less than the anticipated ones.

1. Management considers variances in excess of 10% or where it is deemed fit and appropriate to do so, an explanation is provided.

1. Presentation of Annual Financial Statements

Accounting Policies for the year ended 30 June 2018

MANAGEMENT BASIS FOR FINANCIAL STATEMENTS

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003). These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. Assets, labilites, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP. A summary of the significant accounting policies, which have been consistently applied in the preparation of annual financial statements, is disclosed below.

| | |
|--|---|
| <p>Audited</p> <p>By</p> <p>2018 - II - 3</p> | <p>MPUMALANGA BUSINESS UNIT</p> <p>AUDITOR GENERAL SOUTH AFRICA</p> |
|--|---|

The carrying amount of available-for-sale financial assets would be an estimated $R - \text{lower or } R - \text{higher}$ were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The fair value of financial instruments traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

Fair value estimation

An allowance for stock to write down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Alliance for slow moving, damaged and obsolete stock

Government debtors are excluded from provision calculation as they generally have a history of meeting their obligations. Grade C: 100% of total balance outstanding on account. Customers with no payment history. Accounts are considered to be delinquent. The balance is provided for in full (100% of the amount outstanding).

Grade B: 100% of balance outstanding in excess of 90 days. Customers with a payment history but with balances outstanding in excess of 90 days. The balance outstanding in excess of 90 days is provided for in full.

Grade A: No provision. Customer payments are up to date. There is no balance in arrears.

The impairment of trade receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amount. Debtors are graded on the following basis:

The calculation in respect of the impairment of debtors is based on the uncertainty surrounding the recoverability of the outstanding amount. This was performed per debtor. The calculations already due to uncertainty surrounding the recoverability of the outstanding amount. This was performed per on payments already due to uncertainty surrounding the recoverability of the outstanding amount. This was performed per debtor.

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgments include:

1.3. Significant judgments and sources of estimation of uncertainty

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.2. Going concern assumption

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.1. Presentation currency

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

2018 - II - 30

By

Audited

| | |
|---|------------------------------|
| Municipal Business Unit | Auditor General South Africa |
| 1.1. Presentation currency | |
| Annual Financial Statements for the year ended 30 June 2018 | |
| BUSHBUCKRIDGE LOCAL MUNICIPALITY | |
| 2018 - II - 30 | |
| By | |
| Audited | |

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Investment property is recognised as an asset when it is probable that the future economic benefits or service potential that can be measured reliably.

are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property

purposes.

Owner-occupied property is held for use in the production or supply of goods or services or for administrative purposes.

- sale in the ordinary course of operations.
- administrative purposes, or
- use in the production or supply of goods or services for both, rather than for:

investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation

1.4 Investment property

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

Depreciation and carrying value of items of property, plant and equipment

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Alliance for doubtful debts

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Useful lives of waste water and water network assets and other assets

These estimates of provisions are included in note 14 - Provisions. Provisions were raised and management determined an estimate based on the information available. Additional disclosures of

Provisions

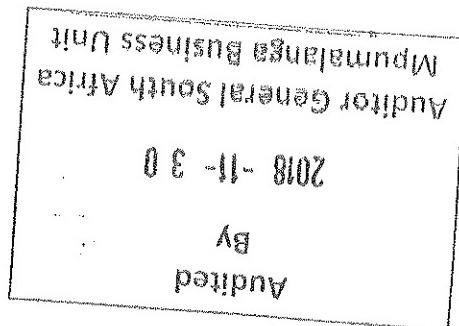
The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are included in the estimate of provisions that may have occurred. They are significantly affected by a number of factors including [list entity uncertain variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates, inflation, interest rates, etc].

These calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the name a key assumption may change which may then impact our estimates and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Impairment testing

1.3 Significant judgements and sources of estimation of uncertainty (continued)

| | |
|--|---|
| BUSHBUCKRIDGE LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2018 Audit General South Africa 2018 - ii - 30 By Audited | Accounting Policies for the year ended 30 June 2018 Applicable Business Unit |
|--|---|



Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Properties - buildings 3-41 years

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

1.4 Investment property (continued)

Accounting Policies for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

| Item | Average useful life | Depreciation method | Community Assets | BUILDINGS | Motor Vehicles | Infrastructure Assets | Computer Equipment | Furniture and Office Equipment | Other Machinery and Equipment | Temporary Operational Buildings |
|------------------|---------------------|---------------------|------------------|------------|----------------|-----------------------|--------------------|--------------------------------|-------------------------------|---------------------------------|
| Land | Infinite | Straight line | 3-82 years | 3-41 years | 2-100 years | Straight line | 3-10 years | Straight line | 2-10 years | 1-12 years |
| Buildings | 38-82 years | Straight line | 3-41 years | 3-41 years | 2-100 years | Straight line | 2-100 years | Straight line | 1-20 years | 1-20 years |
| Community Assets | 3-82 years | Straight line | 3-41 years | 3-41 years | 2-100 years | Straight line | 3-10 years | Straight line | 2-10 years | 1-12 years |
| Land | Infinite | Straight line | 3-82 years | 3-41 years | 2-100 years | Straight line | 3-10 years | Straight line | 2-10 years | 1-12 years |

The useful lives of items of property, plant and equipment have been assessed as follows:

progress, prior and subsequent to the date of revaluation, being the fair value at the date of revaluation less any subsequent impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Major inspection costs which are a continuation of continuing use of an item of property, plant and equipment and which neither the recognition criterion costs which are a replacement of continuing use of an item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

properly, plant and equipment such as specific parts, supplies, equipment and consumable chemicals which they need for the continuation of their business.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obliged to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replaced part is recognized as an item of property, plant and equipment, the carrying amount of the replaced part is derecognized.

Whether significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Combination of monetary and non-monetary assets. The asset acquired is initially measured at fair value (the cost). If the acquired items' fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When we hit assertive self-presentation, it becomes a non-negotiable condition for us to succeed.

location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

www.ipmengen.com.tr | İPMENGEN İNŞAAT MÜHENDİSLİK LTD. ŞTİ.

- The cost of the item can be measured fairly.

- It is probable that future economic benefits of service potential associated with the item will flow to the manufacturer and distributor as well as to the end user.

more than one period.

1.3. Hierarchy, plant and equipment

Auditor General South Africa
Mpu malanga Business Unit

| | | |
|--------------------------|---------------|------------------------------|
| 2018 - H - 30 | By Audited | Auditor General South Africa |
| Mpumalanga Business Unit | | |

- The related asset is measured using the cost model:
- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
 - (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
 - (c) if the adjustment results in an addition to the cost of an asset, the service is recognised immediately in surplus or deficit, and indicates that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

The item during a particular period for purposes other than to produce inventories during that period, the obligation includes the costs of dismantling and removing the item is incurred or as a consequence of having used equipment initially included as decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment refers to as, decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment initially has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as, decommissioning, restoration and similar liabilities. The cost of an item of property, plant and equipment initially helds for rentals to others and subsequently routine sell as part of the ordinary course of business which the municipality holds for rentals to others and subsequently routine sell as part of the ordinary course of financial statements.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements relating to assets under construction or development, in the notes to the financial statements relevant information relating to assets under construction or development, in the notes to the financial statements.

The municipality separately discloses the difference between the net disposal proceeds, if any, and the carrying amount of these assets are recognise as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement. These assets are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of assets which the municipality holds for rentals to others and subsequently routine sell as part of the ordinary course of business which the municipality holds for rentals to others and subsequently routine sell as part of the ordinary course of financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when benefits or service potential expected from the use of the asset.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The municipality assesses at each reporting date whether there is any indication that the municipality expects about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

1.5 Property, plant and equipment (continued)

Accounting Policies for the year ended 30 June 2018

**Audited General South Africa
MpuNgalanga Business Unit**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

1.8 Financial instruments

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

| | |
|-----------|-------------------|
| Item | Computer software |
| User life | 5 years |

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is amortised over the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Intralnguistic assets are carried at cost less any accumulated amortisation and any impairment losses.

- An intangible asset is recognised when:
 - it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the multiplicity; and
 - the cost or fair value of the asset can be measured reliably.

- An asset is identifiable if it is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- Is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether those rights are arising from building arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

1.7 Intangible assets

- (b) - an increase in the liability is recognised in the revaluation surplus - except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

(c) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recogniseable immediately in surplus or deficit and a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

ii) The related assets measured using the revaluation model:

- (a) changes in the liability after the revaluation surplus or deficit previously recognised on that asset, so that:
- a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in the surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously measured at fair value.

1.6 Site restoration and dismantling cost (continued)

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Accounting Policies for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

| Classification | | The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto: | |
|---------------------------------------|---|--|--|
| Class | Category | Financial asset measured at amortised cost | Financial asset measured at fair value through profit or loss |
| Cash and cash equivalents | Financial asset measured at amortised cost | Financial assets from non-exchange transaction | Receivables from exchange transaction |
| Cash and cash equivalents | Financial asset measured at fair value through profit or loss | Financial asset measured at amortised cost | Financial assets measured at fair value through profit or loss |
| 1.8 Financial instruments (continued) | | | |

| | | |
|--|-----------------------|---|
| | | Amounts receivable within 12 months from date of reporting are classified as current. |
| | | Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. |
| | Receivables | Receivables are measured at fair value. |
| | | Trade payables are measured at fair value. |
| | Trade payables | Trade payables are measured at fair value. |
| | | Cash and cash equivalents |
| | | A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when they are convertible to a known amount of cash that are held with registered banking institutions and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. |
| | | Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value. |
| | | Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. |
| | Presentation | The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit. |
| | | The entity derecognises financial assets in its entirety, the difference between the carrying amount and the sum of the assets it distinguishes — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. |
| | | The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the entity receives payment in full or waives the right to receive payment. |
| | Financial liabilities | On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the considerations received is recognised in surplus or deficit. |
| | | The municipality derecognises a financial asset only when: |
| | | • the contractual rights to the cash flows from the financial asset expire, are settled or waived; |
| | | • the contractual rights to another party substantially all of the risks and rewards of ownership of the financial asset; or |
| | Financial assets | The entity derecognises financial assets using trade date accounting. |
| | Derecognition | 1.8 Financial instruments (continued) |

| | | |
|--------------------------|------------------------------|---|
| Audited | By | 2018 -ii - 30 |
| Mpumalanga Business Unit | Auditor General South Africa | Accounting Policies for the year ended 30 June 2018 |

BUSHBUCKRIDGE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2018
BUSBUCKRIDGE LOCAL MUNICIPALITY
Auditor General South Africa
Accounting Policies for the year ended 30 June 2018

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and impairment losses thereon.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial means that positive cash flows are expected to be significantly higher than the cost of the asset.

1.11 Impairment of cash-generating assets

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised, if there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down of loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

- consumption in the production process of goods to be distributed at no charge or for a nominal charge.
- distribution at no charge or for a nominal charge; or
- sales measured at the lower of cost and current replacement cost where they are held for.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Inventories consist of raw materials, water and consumables.

1.10 Inventories

Operating lease payments are recognised as an expense and the contractual payments are recognised as an operating lease asset between the operating lease term and the lease term. The difference between the aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Operating leases - lessee

The initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Operating leases - lessor

1.9 Leases

| | | | | | | | |
|---------|----|---------|----------------------------------|---|---|-----------------------------------|---------------------------------------|
| AUDITED | BY | AUDITED | BUSHBUCKRIDGE LOCAL MUNICIPALITY | Annual Financial Statements for the year ended 30 June 2018 | Accounting Policies for the year ended 30 June 2018 | Audit Report General South Africa | Audit Report Management Business Unit |
|---------|----|---------|----------------------------------|---|---|-----------------------------------|---------------------------------------|

| | |
|--------------------------|----------------------------|
| Mpumalanga Business Unit | Audit General South Africa |
| 2018 - II - 30 | By |
| | Audited |

After the recognition of an impairment loss, the depreciation charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAFT.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

An impairment loss is recognised immediately in surplus or deficit.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

Recognition and measurement (individual asset)

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its disposal at the end of its useful life.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from continuing use of an asset and from its disposal at the end of its useful life.

Value in use

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating asset with an indefinite useful life or a cash-generating asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

If any such indication exists, the municipality estimates the recoverable amount of the asset.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Impairment

- the number of production or similar units expected to be obtained from the asset by the municipality;
- the period of time over which an asset is expected to be used by the municipality; or

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1.1 Impairment of cash-generating assets (continued)

Accounting Policies for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

**Auditor General South Africa
Mpumalanga Business Unit**

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

The amount of impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

- In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
 - its fair value less costs to sell (if determinable);
 - its value in use (if determinable); and
 - zero.

An impairment loss is recognized for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount based on the cash-generating amount of each asset in the unit. These reductions in carrying amounts are treated as

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

Class-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is suffered.

- could be achieved in arms length transactions in estimating:
 - the future cash inflows used to determine the assets or cash-generating units' value in use; and
 - the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfers pricing.

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is determined as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or group of assets is affected by internal transfers pricing, the cash inflows generated by any asset or group of assets is determined as a cash-generating unit.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. The municipality determines the recoverable amount of the asset belonging unit to which the asset belongs (the asset's cash-generating unit).

Cash-generating units

1.11 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

return that generates cash millions from continuing use that are largely independent of the cash millions from other assets or groups of assets.

Accrued unearned deposit collection and accumulated impairment losses translation.

¹⁰ If the loss of the asset's future economic benefits is so severe that it no longer meets the definition of a financial asset.

Impairment is a loss in the future economic benefits of a service potential of an asset, over and above the systematic recognition

Non-cash-generating assets are assets other than cash generating assets.

1.12 Impairment of non-current-generating assets

The redesigning of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a reclassification is appropriate.

Redesignation

The above account of the loss of the ship will be of interest to the other assessors of the unit.

- its recoverable amount (if determinable); and
 - the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above

The carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairments for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

adjusted in future periods to allocate the cash-generating assets' revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

⁶ See also the discussion of the relationship between the concept of ‘cultural capital’ and the concept of ‘cultural value’ in the section on ‘Cultural Capital’.

An impairment loss recognised in prior periods for a cash-generating asset is reversed in future if there has been a change in the carrying amount of the asset or if the asset is disposed of.

The maximum pay-off assesses the cash-generating assets which are available to the entity if it were to sell all its assets except those which are held for trading purposes.

Review of Implications

1.1. Impairment of cash-generating assets (continued)

| | |
|--|--|
| BUSHBUCKRIDGE LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2018 Audit General South Africa Mpumalanga Business Unit | Accounting Policies for the year ended 30 June 2018 Audit General South Africa Mpumalanga Business Unit |
| 2018 - II - 30 Audited BY | 2018 - II - 30 Audited BY |

on a systematic basis over its remaining useful life. After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any).

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that it is required under the Standards of GRAP.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An impairment loss is recognised immediately in surplus or deficit.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

Recognition and measurement

The replacement cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or replace the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services provided or services the asset provides. The asset thus reflects the service potential required of the asset.

The current replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost of the asset is the cost to replace the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services provided or services the asset provides. The asset thus reflects the service potential required of the asset.

Depreciated replacement cost approach

Approach:

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Value in use

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating asset with its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Impairment

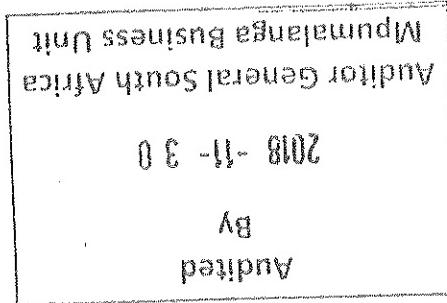
- The number of production or similar units expected to be obtained from the asset by the municipality.
 - The period of time over which an asset is expected to be used by the municipality, or
- Useful life is either:

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

1.12 Impairment of non-cash-generating assets (continued)

| BUSHBUCKRIDGE LOCAL MUNICIPALITY | Annual Financial Statements for the year ended 30 June 2018 |
|----------------------------------|---|
| Audited | Auditor General South Africa |
| 2018 - ii - 30 | Accounting Policies for the year ended 30 June 2018 |
| By | Mphumalanga Business Unit |



The accumulated surplus represents the net difference between the total assets and the total liabilities of the entity. Any year-end adjustments made in equity instruments is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

surpluses and deficits realised during a specific financial year are credited / debited against accumulated surpluses / deficits. Prior year adjustments relating to income and expenditure, are credited / debited against accumulated surpluses when retrospective adjustments are made. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.13 Accumulated Surplus

The reclassification of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a reclassification is appropriate.

Redesignation

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

The increased carrying amount of the asset is increased to its recoverable service since the last impairment loss was recognised. The increased carrying amount of the asset is recognised to its recoverable service since the last impairment loss had no impairment loss been recognised for the asset in prior periods.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The increased carrying amount of the asset is increased to its recoverable service since the last impairment loss was recognised if there has been a change in the municipality's estimate of the recoverable service amount of that asset.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality assesses the recoverable service amount of that asset.

Reversal of an impairment loss

1.12 Impairment of non-cash-generating assets (continued)

Accounting Policies for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2018

| | |
|--------------------------|------------------------------|
| Mpumalanga Business Unit | Auditor General South Africa |
| | 2018 - II - 30 |
| | By Audited |
| | |

The municipality does not have any post employment benefits.

- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
 - exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund;
 - as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense), after deducting any contribution already paid.
- When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service.

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Post-employment benefits: defined contribution plans

Multi-employer plans are defined contribution plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefit plans are formal or informal arrangements under which an municipality pays post-employment benefits for one or more employees.

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefits

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation exists when the entity has no realistic alternative but to make the payments.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

- short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonuses, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related employee service;
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

1.14 Employee benefits

Accounting Policies for the year ended 30 June 2018

| | |
|------------------------------|------------------------------|
| Municipalities Business Unit | Auditor General South Africa |
| 2018 - II - 30 | By Audited |

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

Provisions are not recognised for future operating deficit.

A provision is used only for expenditures for which the provision was originally recognised.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

a reliable estimate can be made of the obligation.

settle the obligation; and

it is probable that an outflow of resources embodying economic benefits or service potential will be required to

the municipality has a present obligation as a result of a past event;

the effect of any contributions or settlements.

Provisions are recognised when:

1.15 Provisions and contingencies

- the effect of any contributions or settlements;
- past service cost, which shall all be recognised immediately; and
- actuarial gains and losses, which shall all be recognised immediately;
- the expected return on any plan assets and on any reinsurance right recognised as an asset;
- interest cost;
- current service cost;
- standard requires or permits their inclusion in the cost of an asset;
- The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another entity shall recognise the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value of certain employees' out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Other post retirement obligations

1.14 Employee benefits (continued)

Accounting Policies for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Financial Performance Statement of Financial Position as a liability or as expenditure in the Statement of Comprehensive financial statements disclosed in the notes to the financial statements represent the aggregate amount of the capital and current expenditure at the reporting date.

- Contracts relate to non-routine transactions.
- the underlying contracts are non-cancellable or only cancellable at significant cost; and
- Commissions are disclosed in the financial statements if they meet the following criteria:

Approved and not yet contracted commitments represent the expenditure that has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.

Approved and contracted commitments represent expenditure that has been approved and the contract awarded at the reporting date.

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Commissions represent goods/services that have been ordered, but no delivery has taken place at the reporting date.

1.16 Commitments

The periodic unwindings of the discount is recognised in surplus or deficit as a finance cost as it occurs.

The adjusted depreciated amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each class arising from a change in the liability is separately identified and disclosed as such.
- a reversal is taken into account in determining the amounts to be taken to surplus or deficit and net assets, if such reversal does not differ materially from that the asset may have to be reversed in order to ensure that the carrying amount does not exceed the carrying amount in surplus or deficit; and
- a change in the liability is an indication that the asset may have to be reversed at the reporting date. Any asset been carried under the cost model, the excess is recognised in surplus immediately in surplus or deficit.
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the surplus in net assets to the liability existing in the reversal surpluses in respect of that asset.
- an increase in the liability is recognised in surplus or deficit, except that it is debited directly to reversal surpluses or deficit; and
- a decrease in the liability is credited directly to reversal surpluses in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a reversal deficit on the asset that was previously recognised in the event that a decrease in the liability is after the reversal surplus or deficit, so that:

If the related asset is measured using the revaluation model:

1.11 and 1.12.

Impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy asset for impairment by estimating its recoverable amount of service account for any new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset, the excess is recognised immediately in surplus or deficit.

If the adjustment results in an asset, the entity consider whether this is an indication that the new carrying amount of the asset, the excess is recognised immediately in surplus or deficit.

exceeds the carrying amount from the cost of the asset does not exceed its carrying amount, if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised in the liability.

If changes in the liability is added to, or deducted from, the cost of the related asset in the current period.

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

Decommissioning, restoration and similar liability

1.15 Provisions and contingencies (continued)

| | | | | |
|---------|------------------------|---|---|----------------------------------|
| Audited | 2018 -II- 30 | Annual Financial Statements for the year ended 30 June 2018 | Accounting Policies for the year ended 30 June 2018 | BUSHBUCKRIDGE LOCAL MUNICIPALITY |
| By | Mlbumala Busimess Unit | Auditor General South Africa | Auditor General South Africa | Mlbumala Busimess Unit |

Agency service - income agency is recognised in terms of the agency agreement.
Agency service - income from agency is recognised on a monthly basis once the income collected on behalf of agents is earned.

Sewerage and sanitation - charges are based on the type of service and the number of sewer connections on all developed property using the approved tariffs.

Refuse - refuse removal is recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and levied on a monthly basis.

Water - charges relating to the distribution of water are based on consumption. Meters are read on a monthly basis and are meter readings have not been performed. Provisional estimates on the consumption history are made on a monthly basis when recognised as revenue when involved. Revenue is recognised on a monthly basis when meter readings have not been performed. Approved tariffs are levied on different categories of property on a monthly basis.

Service charges

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

When services are performed by an indefinite number of acts over a specific time frame, revenue is recognised on a straight-line basis until the specific act is much more significant than any other acts, the recognition of revenue is postponed until the completion. When a specific act is evidence that some other method better represents the stage of significance of the transaction, the specific act can be measured reliably.

- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of revenue can be measured reliably;
- the outcome of a transaction involving the rendering of services can be measured reliably when all the following conditions are satisfied:

Renderring of services

- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of revenue can be measured reliably;
- ownership nor effective control over the goods sold;
- the municipality retains neither continuing managerial involvement to the degree usually associated with the transaction is recognised by reference to the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

Sale of goods

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

An exchange transaction is one in which the municipality primarily receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

1.17 Revenue from exchange transactions

| | | | | | | | |
|---------------------------------|---|---|--------------------------|--------------------------------------|------------------------|----|---------|
| BUSBUCKRIDGE LOCAL MUNICIPALITY | Annual Financial Statements for the year ended 30 June 2018 | Accounting Policies for the Year ended 30 June 2018 | Impounding Business Unit | Municipal Audit General South Africa | Audited 2018 - II - 30 | By | Audited |
|---------------------------------|---|---|--------------------------|--------------------------------------|------------------------|----|---------|

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and/or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

Transferred assets by entities external to the reporting municipality.

Transfers on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a specific asset.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality receives value from another municipality giving approximately equal value in exchange.

Fines are economic benefits or service potential received by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

- The amount of the revenue can be measured reliably.

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

Interest, royalties and dividends

1.17 Revenue from exchange transactions (continued)

| | |
|--|--|
| BUSHBUCKRIDGE LOCAL MUNICIPALITY Annual Financial Statements for the year ended 30 June 2018 Auditor General South Africa MPUMALANGA Business Unit MPUMALANGA Business Unit 2018 - II - 30 By Audited | Accounting Policies for the year ended 30 June 2018 Auditor General South Africa MPUMALANGA BUSINESS UNIT 2018 - II - 30 By Audited |
|--|--|

| | | | |
|--|--|--|---|
| | | | Transferred assets are measured at their fair value as at the date of acquisition. |
| | | | The municipality recognises an asset in respect of transferred resources when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. |
| | | | Transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. |
| | | | Apartment Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the |
| | | | Transfers |
| | | | Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system. |
| | | | The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis. |
| | | | The taxable event for estate duty is the death of a person owning taxable property. |
| | | | The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary. |
| | | | The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer. |
| | | | The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer. |
| | | | The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied. |
| | | | Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and there is a likelihood that the inflow of resources is determined on the basis of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer. |
| | | | The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. |
| | | | Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. |
| | | | Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality. |
| | | | Measurement |
| | | | As the municipality satisfies a present obligation transaction reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction. |
| | | | An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. |
| | | | Recognition |
| | | | 1.18 Revenue from non-exchange transactions (continued) |
| | | | BUSHBUCKRIDGE LOCAL MUNICIPALITY |
| | | | Annual Financial Statements for the year ended 30 June 2018 |
| | | | Accounting Policies for the year ended 30 June 2018 |
| | | | Auditor General South Africa |
| | | | 2018 -ii- 30 |
| | | | Audited |
| | | | By |
| | | | Mpumalanga Business Unit |

such an instance, no further action is also required with the exception of updating the note to the financial statements. In addition or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register.

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procedures in that provincial government.

Irregular expenditure as defined in section 1 of the MFA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

1.23 Irregular expenditure

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

1.22 Fruitless and wasteful expenditure

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance, where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance, and the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and the expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred.

Unauthorised expenditure means:

- the purpose of the main division;
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

1.21 Unauthorised expenditure

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Comparative figures

Borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

1.19 Borrowing costs

Gifts and donations, including goods in-kind

Economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably. Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future

Gifts and donations, including goods in-kind

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Government grants

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

1.18 Revenue from non-exchange transactions (continued)

| | | | | | |
|------------|----------------|----------------------|---------------------------|---|---|
| AUDITED BY | 2018 - II - 30 | GENERAL SOUTH AFRICA | MPLUMALANGA BUSINESS UNIT | ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2018 | ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 |
|------------|----------------|----------------------|---------------------------|---|---|

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

1.27 Events after reporting date

Only transactions with related parties within arm's length or not in the ordinary course of business are disclosed.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

1.26 Related parties

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of budget and actual amounts.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through legislation, appropriation or similar.

1.25 Budget information

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water purchased.

1.24 Distribution losses

Irrregular expenditure is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as revenue in the Statement of Financial Performance.

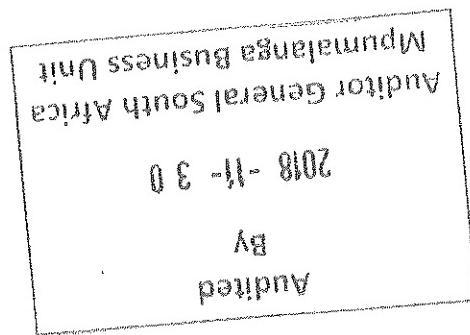
National Treasury or the relevant authority must be recorded proportionately in the irregular expenditure register. If liability for the irregular expenditure that was incurred during the current financial year and which was not condoned by the programme/expenditure register, be taken to recover the amount from the person concerned. If recovery is not possible, the accounting steps must therefore be taken to record the amount from the person concerned. If recovery is not possible, immediate regular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Irregular expenditure register must be recorded in the financial statement note to the relevant authority may write off the amount if the relevant authority has not been condemned and no person is liable in law, the expenditure related thereto must remain against the relevant financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure register has not been condemned and no person is liable in law, the expenditure related thereto must remain against the relevant financial statements and updated accordingly in the note to the financial statement of the relevant authority.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the regular expenditure and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year must be recorded in the financial statement note to the financial statement of the relevant authority.

1.23 Irregular expenditure (continued)

| BUSHBUCKRIDGE LOCAL MUNICIPALITY | | Accounting Policies for the year ended 30 June 2018 | |
|----------------------------------|--|---|--|
| | | Annual Financial Statements for the year ended 30 June 2018 | |
| | | Audit General South Africa | |
| 2018 - ii - 30 | | | |
| By | | | |
| Audited | | | |



- 1.27 **Events after reporting date (continued)**
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
 - and
 - those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).
- The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.
- The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Accounting Policies for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018
BUSHBUCKRIDGE LOCAL MUNICIPALITY

| | |
|--------------------------|------------------------------|
| Mpumalanga Business Unit | Auditor General South Africa |
| 2018 - II - 30 | |
| By | |
| Audited | |

The municipality accounts for Value Added Tax on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991). The municipality is liable to account for VAT at the standard rate (14%) and 15% from 1 April 2018 as announced by the minister of Finance) in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.27 Value Added Tax

Where an outflow of economic benefits does not result in future benefits, it is disclosed as futile expenses and wasteful expenditure. The point at which an expense is recognised on the nature of the transaction or other event that gives rise to the mainline expense, bulk purchases and generally or soon after acquisition, for example, repairs and maintenance expense. Where future economic benefits are consumed immediately or soon after acquisition, the expense is recognised as economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed within the reporting period, bulk purchases and generally or soon after acquisition, for example, repairs and maintenance expense is recognised as general expenses, the expense is recognised in the reporting period in which the expense is paid, an expense is recognised immediately and where a liability is incurred without the recognition of an asset an e.g. fines paid, non-current assets, expenses (depreciation) is allocated to be consumed; where expenditure produces no future economic benefit during reporting periods e.g. future economic benefits are incurred without the recognition of an asset and which the future economic benefits are expected to be consumed no future reporting period during acquisition of the future economic benefit occurs.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Transfers and grants which relate to expenditure pertaining to free basic services and general expenses which constitute several items which are not individually significant.
- Contracted services — included are debt collection costs, debt cleaning costs, service level agreements costs, due to MCOA repairs and maintenance is now classified as contracted service.
- Property valuation roll and assessment registration costs, software support costs and security services costs. Due to MCOA repairs and maintenance is now classified as contracted service.
- Bulk purchases — expenditure on the procurement of bulk water.

Major expense items disclosed in the Statement of Financial Performance include:

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.

Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

General expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are consumed prior to the receipt of the benefits or services in net assets, other than those relating to distributions to owners.

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or increases in incurances of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

1.28 Expenditure

Accounting Policies for the year ended 30 June 2018

| | | | |
|--|------|------|-----------------|
| Notes to the Annual Financial Statements for the year ended 30 June 2018 | 2018 | 2017 | Figures in Rand |
| <p>BUSHBUCKRIDGE LOCAL MUNICIPALITY</p> <p>Annual Financial Statements for the year ended 30 June 2018</p> <p>Annual Financial Statements for the year ended 30 June 2018</p> | | | |
| <p>Audited By 2018 - II - 30 Auditor General South Africa Mpumalanga Business Unit</p> | | | |

Mpumalanga Business Unit
Auditor General South Africa

- Disclosure of related party transactions, outstanding balances, including commitments may affect users' assessments of the financial position and performance of parties that deliver agreed services, including assessments of the risks and opportunities facing the reporting entity.
- The standard states that a related party is a person or an entity with the ability to exercise significant influence over the other party, or vice versa, or an entity that controls, A minimum, the following are regarded as related parties of the reporting entity:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

- Identifying related party relationships and transactions;
 - Identifying outstanding balances, including commitments, between an entity and its related parties;
 - Identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
 - Determining the disclosures to be made about those items.

All entities that prepare and present financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

GRAPH 20: Related parties

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the amendment for the first time in 2021.

The effective date of the amendment is for years beginning on or after 01 April 2020

- The most significant changes to the Standard are:
 - General improvements: An appendix with illustrative disclosures has been deleted from the Standard as general improvements; An appendix with illustrative disclosures has been deleted from the Standard as general improvements; An appendix with illustrative disclosures has been deleted from the Standard as general improvements;
 - the National Treasury has issued complete examples as part of its implementation guidance.

Amendments to the Standard of GRAP on Segment Republishing resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

GРАП 18 (as amended 2016): Segment Reporting

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

- 2.1 Standards and interpretations issued, but not yet effective
2.2. New standards and interpretations

Notes to the Annual Financial Statements for the year ended 30 June 2018

The municipality expects to adopt the amendment for the first time in 2020.

The effective date of the standard is 1 April 2019.

It furthermore covers: Definitions, recognition, measurement, presentation and disclosure, as well as the effective date.

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

GRAP 108: Statutory Receivables

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the amendment for the first time in 2020.

The effective date of the standard is 1 April 2019.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and disclosure, transition provisions, as well as the effective date.

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

GRAP 32: Service Concessions Arrangements: Grantor

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the amendment for the first time in 2020.

The effective date of the standard is 1 April 2019.

• Auditor General South Africa
• Mpumalanga Business Unit
• Auditor General South Africa
• Remuneration of management
• Related party transactions; and
• Control;

The standard sets out the requirements, inter alia, for the disclosure of:

2018 - II - 30

Audited
By

The standard elaborates on the definitions and identification of:

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard defines that related party transaction is a transfer of resources, services or obligations between the reporting entity (or its controlling entity).

- a person identified in (a) has significant influence over that entity or is a member of the management of

- the entity is controlled or jointly controlled by a person identified in (a); and

- the entity is a reporting entity itself such a plan, the sponsoring employer is either the entity or an entity

- one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

- both entities are joint ventures of the same third party;

- an economic entity of which the other entity is a member;

- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of

entity and fellow controlled entity is related to the others);

- the entity is a member of the same economic entity (which means that each controlling entity, controlled

An entity is related to the reporting entity if any of the following conditions apply:

2. New standards and interpretations (continued)

Notes to the Annual Financial Statements for the year ended 30 June 2018

The effective date of the amendment is for years beginning on or after 01 April 2018.

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph 12).
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "amendment" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The most significant changes to the Standard are:

- IPSASB changes made to IPSAS 12 on inventories (IPSAS 12) as a result of the IPSASB's improvements to IPSAS 2015 issued in March 2016.
- Amendments to the Standard of GRAP on inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on inventories (IPSAS 12) as a result of the IPSASB's improvements to IPSAS 2015 issued in March 2016.

GRAP 12 (as amended 2016): Inventories

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the interpretation for the first time in the 2020 annual financial statements.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

- In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits of buildings and other structures are not addressed in this interpretation of the Standards of GRAP.
- Land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures is not addressed in this interpretation of the Standards of GRAP.

- The land after applying the principles in this interpretation of the Standards of GRAP, is controlled by an entity that applies the applicable Standard of GRAP to the land when it concludes that it does not control the land and after applying the principles the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity applies the classification, initial and subsequent measurement, presentation and disclosure requirements of land, if the land applies to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, if the land is controlled by an entity that applies the applicable Standard of GRAP on inventories, investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, if the land is controlled by an entity that applies the applicable Standard of GRAP on inventories, investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets, the interpretation of the Standards of GRAP will not affect the interpretation of the Standards of GRAP on inventories, investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets.

- When an entity controls the land after applying the principles in this interpretation of the Standards of GRAP, it also considers joint control of land by more than one entity.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

The effective date of the standard is not yet set by the Minister of Finance.

- It furthermore covers Definitions, identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transnational provisions and Effective date.
- The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in such an arrangement. The Standard does not introduce new recognition arrangements or measurement transactions in terms of such an arrangement. The Standard results from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

GRAP 109: Accounting by Principals and Agents

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

Notes to the Annual Financial Statements for the year ended 30 June 2018

| | |
|--------------------------|------------------------------|
| By | Audited |
| 2018 - II - 30 | |
| Mpumalanga Business Unit | Auditor General South Africa |

Annual Financial Statements for the year ended 30 June 2018

The most significant changes to the Standard are:

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

It is unlikely that the amendment will have a material impact on the multilateral's annual financial statements.

The municipality expects to adopt the first time in the 2019 annual financial statements.

The effective date of the amendment is for years beginning on or after 01 April 2018.

- IPSASB amendments: To clarify the methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued. To clarify acceptable methods of depreciation: To clearly delineate methods of depreciation, plant, and equipment is revalued. To clarify acceptable methods of depreciation based on non-monetary assets.

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph 12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a measurement changes to the Standard are:

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measures required to meet the original text requirements of GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transactions costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's improvements to IPSAS 2014 issued in January 2015 and improvements to IPSAS 2015 issued in March 2016.

GRAP 17 (as amended 2016): Property, Plant and Equipment

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the first time in the 2019 annual financial statements.

The effective date of the amendment is for years beginning on or after 01 April 2018.

Significant changes to the Standard are:
General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired
in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measures required in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on annual improvements to IFRS 2011 – 2013 Cycle issued in December 2013.

GRAP 16 (as amended 2016): Investment Property

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

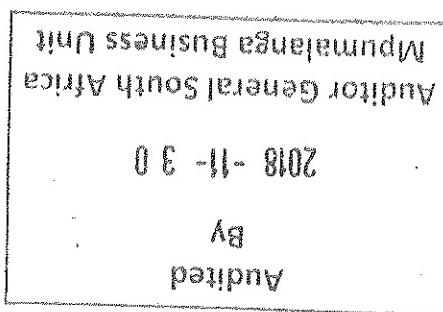
2. New standards and interpretations (continued)

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Notes to the Annual Financial Statements for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

Audited By
Auditor General South Africa
Mpumalanga Business Unit
Notes to the Annual Financial Statements for the year ended 30 June 2018



It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

The effective date of the amendment is for years beginning on or after 01 April 2018.

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph 12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the valuation methodology of carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The most significant changes to the Standard are:

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's improvements to the Standard of GRAP on Intangible Assets resulting from its treatment of transaction costs.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

The effective date of the amendment is for years beginning on or after 01 April 2018.

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The most significant changes to the Standard are:

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's impairment of Revamped Assets issued in March 2016.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The municipality expects to adopt the amendment for the first time in the 2019 annual financial statements.

The effective date of the amendment is for years beginning on or after 01 April 2018.

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

Notes to the Annual Financial Statements for the year ended 30 June 2018

| NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 | | ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 | |
|--|--|--|--|
| 3. INVENTORIES | | Maintenance materials | |
| 2,801,098 | | 3,115,673 | |
| 4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | INVENTORY PLEDGED AS SECURITY | |
| None of the inventory was pledged as security during the year or the previous financial year. | | Furniture in Rand | |
| 5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | Notes to the Annual Financial Statements for the year ended 30 June 2018 | |
| None of the receivables from non-exchange transactions were pledged as security during the current or previous financial year. | | Annual Financial Statements for the year ended 30 June 2018 | |
| 6. FINES | | ESKOM DEPOSITS | |
| None of the receivables from non-exchange transactions were pledged as security during the current or previous financial year. | | None of the receivables from non-exchange transactions were pledged as security during the current or previous financial year. | |
| 7. PROPERTY RATES | | GROSS BALANCES | |
| Gross balances | | Provision for impairment | |
| 727,341,341 | | RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | |
| 781,791,589 | | OPENING BALANCE | |
| 19,680,356 | | PROVISION FOR IMPAIRMENT | |
| 189,430 | | CLOSING BALANCE | |
| 2,722,452 | | 720,873,472 | |
| >365 days | | 280,873,472 | |
| 0-365 days | | 310,378,935 | |
| 1,579,492 | | 8,997,942 | |
| 189,430 | | 29,505,463 | |
| 1,579,492 | | 310,378,935 | |
| 1,768,922 | | 319,376,877 | |
| 4,491,374 | | 310,378,935 | |
| 1,768,922 | | 280,873,472 | |
| 189,430 | | 310,378,935 | |
| 62,702,649 | | 781,791,589 | |
| 19,680,356 | | 727,341,341 | |
| 189,430 | | 462,414,712 | |
| 1,579,492 | | (310,378,935) | |
| 2,722,452 | | 462,414,712 | |
| >365 days | | 12,366,343 | |
| 0-365 days | | 38,915,050 | |
| 189,430 | | (7,314,013) | |
| 1,579,492 | | 19,680,356 | |
| 1,768,922 | | 189,430 | |
| 4,491,374 | | 1,579,492 | |
| 1,768,922 | | 2,722,452 | |
| 189,430 | | 189,430 | |
| 62,702,649 | | 62,702,649 | |
| 19,680,356 | | 19,680,356 | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | 0-365 days | |
| 189,430 | | 189,430 | |
| 1,579,492 | | 1,579,492 | |
| 2,722,452 | | 2,722,452 | |
| >365 days | | >365 days | |
| 0-365 days | | | |

| GROSS BALANCES | | NET BALANCE | |
|---|----------|----------------------------|----------|
| ESKOM -Free basic services | | Eskom -Free basic services | |
| Waste | Rental | Waste | Rental |
| Interest | Housing | Interest | Housing |
| Waste | Interest | Waste | Interest |
| Water | Rental | Water | Rental |
| Less: ALLOWANCE FOR IMPAIRMENT | | | |
| Service Charges | | Service Charges | |
| Interest | | Interest | |
| Waste | | Waste | |
| Water | | Water | |
| Less: ALLOWANCE FOR IMPAIRMENT | | | |
| Service Charges | | Service Charges | |
| Interest | | Interest | |
| Waste | | Waste | |
| Water | | Water | |
| NET BALANCE | | NET BALANCE | |
| Eskom -Free basic services | | Eskom -Free basic services | |
| Waste | | Waste | |
| Interest | | Interest | |
| Rental | | Rental | |
| Housing | | Housing | |
| Service Charges | | Service Charges | |
| Interest | | Interest | |
| Waste | | Waste | |
| Water | | Water | |
| ESKOM-FREE BASIC SERVICES | | ESKOM-FREE BASIC SERVICES | |
| WATER | | WATER | |
| Current (0 -30 days) | | Current (0 -30 days) | |
| 31 - 60 days | | 31 - 60 days | |
| 61 - 90 days | | 61 - 90 days | |
| 91 - 120 days | | 91 - 120 days | |
| > 121 days | | > 121 days | |
| Mpumalanga Business | | Auditor General South | |
| WASTE WATER | | WASTE WATER | |
| Current (0 -30 days) | | Current (0 -30 days) | |
| 31 - 60 days | | 31 - 60 days | |
| 61 - 90 days | | 61 - 90 days | |
| 91 - 120 days | | 91 - 120 days | |
| > 121 days | | > 121 days | |
| VAT is accounted for on a payments basis. | | | |
| 6. RECEIVABLES FROM EXCHANGE TRANSACTIONS | | | |

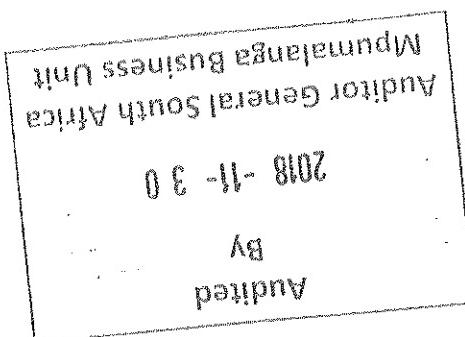
VAT is accounted for on a payments basis.

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS

VAT is accounted for on a payments basis.

5. VAT RECEIVABLE (continued)

Notes to the Annual Financial Statements for the year ended 30 June 2018



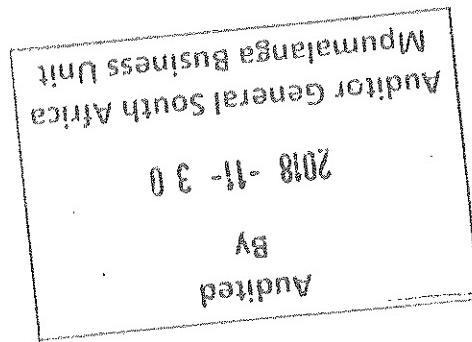
| WASTE | | RENTAL | | INTEREST | | HOUSING | | SERVICE CHARGES | |
|------------|-----------|------------|------------|-------------|-------------|-------------|--------------|-----------------|-----------------------|
| 173,143 | 133,687 | 166,392 | 156,2,659 | 204,832 | 16,564,755 | 16,266 | 357,157 | 123,259,516 | 1,394,399 |
| 16,720 | 37,821 | 37,749 | 37,749 | 143,708 | 143,708 | 16,174 | 61 - 90 days | 31 - 60 days | Current (0 - 30 days) |
| 9,548 | 3,694,735 | 3,687,880 | 3,538,931 | 9,338,457 | 3,344,359 | 108,993,611 | 77,413,776 | 61 - 90 days | 31 - 60 days |
| 9,652,892 | 9,652,892 | 15,078,738 | 15,078,738 | 15,078,738 | 13,345,855 | 13,345,855 | 108,993,611 | 61 - 90 days | Current (0 - 30 days) |
| 16,699 | (189,481) | (43,330) | (43,330) | (2,022,722) | (855,700) | (2,022,722) | 71,463 | 61 - 90 days | 31 - 60 days |
| 10,699 | 10,699 | 6,285 | 6,285 | 95,464 | 95,464 | 95,464 | 95,464 | > 120 days | > 120 days |
| 16,082,313 | 3,233,499 | 1,491,534 | 1,491,534 | 124,829,718 | 124,829,718 | 124,829,718 | 124,829,718 | > 121 days | > 121 days |

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

| Notes to the Annual Financial Statements for the year ended 30 June 2018 | 2018 | 2017 | Figures in Rand |
|--|------|------|-----------------|
| Annual Financial Statements for the year ended 30 June 2018 | | | |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

| SUMMARY OF DEBTORS BY CUSTOMER CLASSIFICATION | | RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued) | |
|---|---------------|---|---------------|
| HOUSES AND OTHER | | 6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued) | |
| COMMERICAL | | | |
| Current (0 - 30 days) | 30,429,215 | 30,325,507 | 5,536,997 |
| 31 - 60 days | 6,406,2,727 | (17,714) | 6,936,691 |
| 61 - 90 days | 7,152,329 | 9,581,728 | 9,981,502 |
| 91 - 120 days | 6,874,250 | 21,528,272 | 6,925,073 |
| 121 - 150 days | 6,925,073 | 461,294,300 | 316,464,744 |
| > 151 days | 349,890,084 | 532,693,595 | |
| CURRENT | | | |
| Current (0 - 30 days) | 4,481,719 | 30,262,349 | 4,481,719 |
| 31 - 60 days | 6,312,163 | 13,151 | 14,721,001 |
| 61 - 90 days | 6,992,488 | 6,312,163 | 14,721,001 |
| 91 - 120 days | 6,605,588 | 14,552,475 | 30,219,610 |
| 121 - 150 days | 6,534,480 | 654,182,508 | 664,085,591 |
| > 151 days | 664,085,591 | 743,951,094 | 695,011,489 |
| TOTAL | | | |
| RECEIVABLES AS SECURITY | | | |
| Current (0 - 30 days) | 14,081,444 | 67,017,071 | 14,081,444 |
| 31 - 60 days | 17,622,310 | 13,058 | 17,622,310 |
| 61 - 90 days | 18,204,839 | 27,330,190 | 18,204,839 |
| 91 - 120 days | 17,431,720 | 27,579,128 | 17,431,720 |
| 121 - 150 days | 17,346,512 | 57,486,683 | 17,346,512 |
| > 151 days | 1,132,059,390 | 1,242,223,790 | 1,132,059,390 |
| RECEIVABLES PAST DUE BUT NOT IMPAIRED | | | |
| No receivables were pledged as security for any facilities. | | | |
| Government debtors past due were not impaired due to their nature and that they generally meet their obligations. | | | |
| RECONCILIATION OF PROVISION FOR IMPAIRMENT OF RECEIVABLES FROM EXCHANGE TRANSACTIONS | | | |
| Openning balance | 171,995,223 | 208,844,122 | 135,542,515 |
| Allowing balance | 36,848,899 | 36,848,899 | 344,386,637 |
| 208,844,122 | 135,542,515 | 344,386,637 | 208,844,122 |



THE MUNICIPALITY HAD THE FOLLOWING BANK ACCOUNTS

Included in the cash and cash equivalents is an amount of R5 927 660.75 which was withheld by First National Bank due to an ongoing court case.

| | |
|---------------------------------------|-------------|
| Cash and cash equivalents consist of: | |
| Cash on hand | 110,633 |
| Bank balances | 158,979 |
| 8,407,323 | 15,840,833 |
| 93,805,901 | 109,805,713 |
| Current account balances | 98,339,417 |
| Call account balances | 89,821,461 |

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Notes to the Annual Financial Statements for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Figures in Rand
2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

8. INVESTMENT PROPERTY

| | 2018 | 2017 | | | | |
|-----------|------------------|---|----------------|------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and impairment | Carrying value | Cost / Valuation | Accumulated depreciation and impairment | Carrying value |
| Buildings | | | | | | |
| | 13,685,028 | (4,525,713) | 9,159,315 | 13,685,028 | (3,621,066) | 10,063,962 |

RECONCILIATION OF INVESTMENT PROPERTY - 2018

| | Opening balance | Depreciation | Total |
|-----------|-----------------|--------------|-----------|
| Buildings | 10,063,962 | (904,647) | 9,159,315 |

RECONCILIATION OF INVESTMENT PROPERTY - 2017

| | Opening balance | Depreciation | Total |
|-----------|-----------------|--------------|------------|
| Buildings | 10,967,990 | (904,028) | 10,063,962 |

PLEDGED AS SECURITY

None of the investment property assets were pledged as security during the current or previous financial year.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

2018 - 11 - 30

Audited
By

Auditor General South Africa
Mpumalanga Business Unit

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

9. PROPERTY, PLANT AND EQUIPMENT

| | 2018 | 2017 | | | | |
|-------------------------------------|----------------------|---|----------------------|----------------------|---|----------------------|
| | Cost / Valuation | Accumulated depreciation and impairment | Carrying value | Cost / Valuation | Accumulated depreciation and impairment | Carrying value |
| Land | 172,443,983 | - | 172,443,983 | 172,443,983 | - | 172,443,983 |
| Buildings | 69,620,302 | (24,721,324) | 44,898,978 | 68,831,727 | (19,865,900) | 48,965,827 |
| Infrastructure | 2,746,852,774 | (298,133,669) | 2,448,719,105 | 2,216,717,953 | (224,621,137) | 1,992,096,816 |
| Community | 179,866,121 | (54,878,077) | 124,988,044 | 176,179,575 | (44,791,542) | 131,388,033 |
| Other property, plant and equipment | 97,697,259 | (52,785,341) | 44,911,918 | 78,566,831 | (39,112,097) | 39,454,734 |
| Work in progress (WIP) | 498,163,816 | - | 498,163,816 | 601,479,248 | - | 601,479,248 |
| Other Assets (WIP) | - | - | - | 5,918,419 | - | 5,918,419 |
| Total | 3,764,644,255 | (430,518,411) | 3,334,125,844 | 3,320,137,736 | (328,390,676) | 2,991,747,060 |

| |
|------------------------------|
| Audited |
| By |
| 2018 -11- 30 |
| Auditor General South Africa |
| Mpumalanga Business Unit |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

9. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2018

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------|--------------------|----------------|-------------|---------------------|--------------------|----------------------|
| Land | 172,443,983 | - | - | - | - | - | 172,443,983 |
| Buildings | 48,965,827 | 788,575 | - | - | (4,855,424) | - | 44,898,978 |
| Infrastructure | 1,992,096,816 | 18,688,881 | - | 511,446,001 | (6,673,544) | (6,839,049) | 2,448,719,105 |
| Community | 131,388,033 | - | - | 3,686,545 | (10,086,534) | - | 124,988,044 |
| Other property, plant and equipment | 39,454,734 | 13,142,907 | (3,885) | 6,688,630 | (13,260,925) | (1,109,543) | 44,911,918 |
| Work in progress (WIP) | 601,479,248 | 411,817,158 | (515,132,546) | - | - | - | 498,163,816 |
| Other Assets (WIP) | 5,918,419 | 770,211 | (6,688,630) | - | - | - | - |
| | 2,991,747,060 | 445,207,732 | (3,885) | - | (94,876,427) | (7,948,592) | 3,334,125,844 |

| |
|--|
| Audited By 2018 -11- 30 |
| Auditor General South Africa Mpumalanga Business Unit |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

9. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 30 JUNE 2017

| | Opening balance | Additions | Disposals | Transfers | Revaluations | Other movements | Depreciation | Total |
|-------------------------------------|----------------------|--------------------|--------------------|---------------|------------------|---------------------|---------------------|----------------------|
| Land | 236,139,811 | - | (1,068,000) | - | - | (62,627,828) | - | 172,443,983 |
| Buildings | 49,862,986 | 1,281,533 | (1,536,922) | 4,514,876 | - | - | (5,156,646) | 48,965,827 |
| Infrastructure | 1,590,752,488 | 15,488,503 | (400,241) | 442,956,304 | - | - | (56,700,238) | 1,992,096,816 |
| Community | 116,942,321 | 5,141,409 | - | 20,637,009 | - | - | (11,332,706) | 131,388,033 |
| Other property, plant and equipment | 26,245,493 | 20,145,766 | (292,802) | 1,329,156 | - | - | (7,972,879) | 39,454,734 |
| Work in progress (WIP) | 499,710,129 | 569,877,308 | - | (468,108,189) | - | - | - | 601,479,248 |
| Other Assets (WIP) | 4,025,136 | 1,893,283 | - | - | - | - | - | 5,918,419 |
| | 2,523,678,364 | 613,827,802 | (3,297,965) | - | 1,329,156 | (62,627,828) | (81,162,469) | 2,991,747,060 |

PLEDGED AS SECURITY

None of the tangible assets were pledged as security during the current or previous financial year.

| | |
|------------------------------|--|
| Audited | |
| By | |
| 2018 -11- 30 | |
| Auditor General South Africa | |

Mpumalanga Business Unit

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

9. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF WORK-IN-PROGRESS 2018

| | Included within Infrastructure | Included within Community | Included within Other PPE | Total |
|--------------------------------|--------------------------------|---------------------------|---------------------------|--------------------|
| Opening balance | 601,479,248 | - | 5,918,419 | 607,397,667 |
| Additions | 411,817,158 | - | 770,211 | 412,587,369 |
| Transferred to completed items | (511,446,002) | (3,686,545) | (6,688,630) | (521,821,177) |
| | 501,850,404 | (3,686,545) | | 498,163,859 |

RECONCILIATION OF WORK-IN-PROGRESS 2017

| | Included within Infrastructure | Included within Other PPE | Total | Audited By |
|--------------------------------|--------------------------------|---------------------------|--------------------|--------------------|
| Opening balance | 499,710,129 | 4,025,136 | 503,735,265 | |
| Additions | 569,877,308 | 1,893,283 | 571,770,591 | |
| Transferred to completed items | (468,108,189) | - | (468,108,189) | |
| | 601,479,248 | 5,918,419 | 607,397,667 | 2018 -1- 30 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. INTANGIBLE ASSETS

| | 2018 | 2017 |
|-------------------|---|---|
| Cost / Valuation | Accumulated amortisation and impairment | Carrying value |
| | | Cost / Valuation and accumulated impairment |
| 4,828,947 | (4,196,899) | 632,048 |
| | | 4,828,947 |
| | | (3,937,906) |
| | | 891,041 |
| Computer software | | |

| |
|------------------------------|
| Auditor General South Africa |
| Mpumalanga Business Unit |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

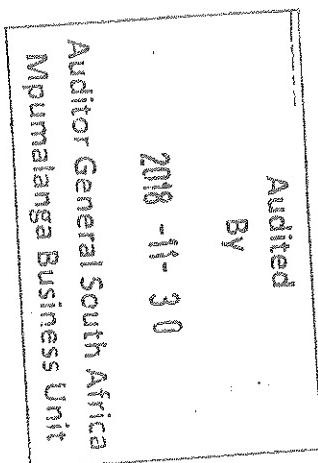
Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

10. INTANGIBLE ASSETS (continued)

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2018

| | Opening balance | Amortisation | Total |
|-------------------|-----------------|--------------|---------|
| Computer software | 891,041 | (258,993) | 632,048 |



BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

10. INTANGIBLE ASSETS (continued)

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2017

| | Opening balance | Additions | Amortisation | Total |
|-------------------|-----------------|-----------|--------------|---------|
| Computer software | 982,722 | 805,243 | (896,924) | 891,041 |

PLEDGED AS SECURITY

None of the intangible assets were pledged as security during the current or previous financial year.

11. PAYABLES FROM EXCHANGE TRANSACTIONS

| | | | |
|----------------------|--------------------|--------------------|--|
| Trade payables | 221,277,520 | 286,357,870 | |
| Retention and Surety | 106,227,251 | 91,610,314 | |
| Accrued bonus | 11,253,503 | 10,124,900 | |
| Other payables | (3,892,652) | 17,312,908 | |
| Sundry creditors | 101,715,673 | 145,879,689 | |
| | <u>436,581,295</u> | <u>551,285,681</u> | |

JNB - R - 30

Audited
By

12. CONSUMER DEPOSITS

Consumer Deposit

| | | |
|--|-----------|-----------|
| | 2,454,242 | 2,440,536 |
|--|-----------|-----------|

Auditor General South Africa
Mipumalanga Business Unit

13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

UNSPENT CONDITIONAL GRANTS AND RECEIPTS COMPRISES OF:

| | | |
|---|----------------|------------------|
| UNSPENT CONDITIONAL GRANTS AND RECEIPTS | 330,595 | 3,765,317 |
| Regional Bulk Infrastructure Grant | - | 3,815,012 |
| Integrated National Electrification Programme | <u>330,595</u> | <u>7,580,329</u> |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

14. PROVISIONS

RECONCILIATION OF PROVISIONS - 30 JUNE 2018

| | Opening Balance | Additions | Total |
|--|--------------------|------------------|--------------------|
| Environmental rehabilitation provision | 23,413,761 | 1,108,231 | 24,521,992 |
| Leave provision | 25,302,839 | 4,393,643 | 29,696,482 |
| Long service awards | 25,061,000 | 3,344,227 | 28,405,227 |
| Provision for bulk purchases | 29,068,537 | - | 29,068,537 |
| | 102,846,137 | 8,846,101 | 111,692,238 |

| |
|------------------------------|
| Audited |
| By |
| 2018 - 14 - 30 |
| Auditor General South Africa |
| Mpumalanga Business Unit |

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

14. PROVISIONS (continued)

RECONCILIATION OF PROVISIONS - 30 JUNE 2017

| | Opening Balance | Additions | Utilised during the year | Reversed during the year | Total |
|--|--------------------|--------------------|--------------------------|--------------------------|--------------------|
| Environmental rehabilitation provision | 5,565,585 | - | - | - | 23,413,761 |
| Leave provision | 17,848,176 | 5,655,585 | - | - | 25,302,839 |
| Long service awards | 26,322,480 | - | (1,019,641) | - | 25,061,000 |
| Provision for bulk purchases | 24,299,000 | 4,573,000 | (1,289,654) | (2,521,346) | 29,068,537 |
| | 97,538,193 | 10,138,585 | (2,309,295) | (2,521,346) | 102,846,137 |
| Non-current liabilities | 59,034,940 | 45,114,761 | | | |
| Current liabilities | 52,657,298 | 57,731,376 | | | |
| | 111,692,238 | 102,846,137 | | | |

ENVIRONMENTAL REHABILITATION PROVISION

The municipality has an obligation to rehabilitate the landfill sites in the Bushbuckridge municipal area.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at the amortised cost.

The rehabilitation costs were determined by OnePangea, who are qualified and experienced engineers.

| | |
|--|--------------------|
| Audited By | <i>[Signature]</i> |
| Auditor General South Africa Mpumalanga Business Unit | |

Valuations on land and buildings are performed every 4 years. The last general valuation done by Valuers Africa came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Various rates are used for the different categories which are applied to property valuations to determine assessment rates.

VALUATIONS

| | | | |
|--|--|--|--|
| Businesses and Commercial Residential Developed | 33,360,604 13,836,229 17,289,774 3,229,614 2,054,573 1,943,515 3,556,545 3,229,614 2,054,573 104,969,329 120,438,684 2,804,646 2,615,578 | State Owned Properties Industrial Properties Vacant Land Businesses and Commercial Residential Developed | Service Infrastructure Agricultural Property, Protected Areas, Public Benefit Organisation and Public State Owned Properties Industrial Properties Vacant Land Businesses and Commercial Residential Developed |
| 160,280,800 185,624,245 190,244,245 | | | |

RATES LEVIED

21. PROPERTY RATES

The amount of R110 327 568 represents interest levied to outstanding debtors.

The amount of R145 755 represents interest earned from positive bank balances maintained during the year.

INTEREST REVENUE Interest

20. INTEREST

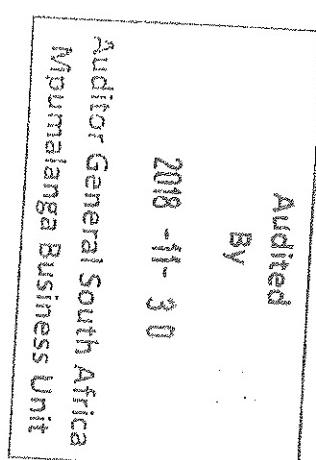
19. OPERATING INCOME

Figures in Rand
Notes to the Annual Financial Statements to the year ended 30 June 2017

Notes to the Annual Financial Statements for the Year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

| BUSHBUCKRIDGE LOCAL MUNICIPALITY | | Notes to the Annual Financial Statements for the year ended 30 June 2018 | |
|---|---------------|--|---------------|
| | | Annual Financial Statements for the year ended 30 June 2018 | |
| | | Figures in Rand | |
| | | 2018 | 2017 |
| Operating grants | 683,632,000 | 647,298,000 | 2,145,000 |
| Equitable Share | 1,810,000 | 1,810,000 | 312,546 |
| Financial Management Grant | 2,500,928 | 3,780,000 | 9,355,000 |
| Local Government Sector Education Training Authority | 3,780,000 | 3,780,000 | 695,444,546 |
| Expanded Public Works Programme Grant | 655,388,928 | 655,388,928 | 655,388,928 |
| Capital grants | 5,000,000 | 3,373,000 | 394,080,000 |
| Municipal Infrastructure Grant | 40,000,000 | 36,234,683 | 2,669,405 |
| Municipal National Electrification Programme | 40,000,000 | 393,773,000 | 511,749,405 |
| Regional Water Infrastructure Grant | 36,234,683 | 393,773,000 | 394,080,000 |
| Human Settlement Infrastructure Grant | 44,000,000 | 40,000,000 | 393,773,000 |
| Water Services Infrastructure Grant | 150,000,000 | 140,000,000 | 2,669,405 |
| Constitutional Water Infrastructure Grant | 110,000,000 | 110,000,000 | 511,749,405 |
| Regional Bulk Infrastructure Grant | 44,000,000 | 36,234,683 | 394,080,000 |
| Human Settlement Grants | 150,000,000 | 140,000,000 | 393,773,000 |
| Water Services Infrastructure Grants | 1,321,757,494 | 1,321,757,494 | 1,321,757,494 |
| CONSTITUTIONAL AND UNCONDITIONAL | | | |
| OPERATABLE SHARE | | | |
| All allocations to the municipality were received from National Treasury and has complied in terms of section 214(1)(c) of the Constitution. | | | |
| This grant is used to enable the municipality to provide basic services and perform functions allocated to it. | | | |
| In terms of Section 227 of the Constitution, the Equitable Share Grant provides funding for the municipality to deliver free basic services to poor households and subsidises the cost of administration and other core services for the municipality. | | | |
| The grant is mainly used to fund infrastructure related projects (mainly as part of services delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities. | | | |
| MUNICIPAL INFRASTRUCTURE GRANT (MIG) | | | |
| Current-year receipts | 393,773,000 | (394,080,000) | (393,773,000) |
| Conditions met - transferred to revenue | 393,773,000 | (394,080,000) | (393,773,000) |
| FINANCIAL MANAGEMENT GRANT (FMG) | | | |
| Current-year receipts | 1,810,000 | 2,145,000 | 1,810,000 |
| Conditions met - transferred to revenue | 1,810,000 | 2,145,000 | (2,145,000) |
| EXPANDED PUBLIC WORKS PROGRAMME INCENTIVE GRANT (EPWP) | | | |
| The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act. | | | |
| Current-year receipts | 3,780,000 | 9,355,000 | (9,355,000) |
| Conditions met - transferred to revenue | 3,780,000 | 9,355,000 | (3,780,000) |



22. TRANSFERS AND SUBSIDIES

Figures in Rand

2017

2018

2017

2018

| Notes to the Annual Financial Statements for the year ended 30 June 2018 | | Figures in Rand | |
|---|-------------|-----------------|-------------|
| | | 2018 | 2017 |
| BUSHBUCKRIDGE LOCAL MUNICIPALITY | | | |
| Annual Financial Statements for the year ended 30 June 2018 | | | |
| 22. TRANSFERS AND SUBSIDIES (continued) | | | |
| The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines. | | | |
| REGIONAL BULK INFRASTRUCTURE GRANT (RBIG) | | | |
| Balance unused at beginning of year | 3,765,317 | 3,000,000 | 40,000,000 |
| Current-year receipts | (2,669,405) | (2,669,405) | - |
| Conditions still to be met - remain liabilities (see note 13). | 330,595 | 3,765,317 | 3,765,317 |
| Rollover | | | |
| Balance unused at beginning of year | 3,815,012 | 1,175,895 | 1,175,012 |
| Current-year receipts | (5,000,000) | 5,000,000 | - |
| Conditions met - transferred to revenue | (2,360,883) | (2,360,883) | - |
| Rollover | | | |
| Balance unused at beginning of year | 3,815,012 | 1,175,012 | 3,815,012 |
| Current-year receipts | (5,000,000) | 5,000,000 | - |
| Conditions met - transferred to revenue | (2,360,883) | (2,360,883) | - |
| Rollover | | | |
| The purpose of this grant is to construct bulk water line that will enable the municipality to reticulate water in its various areas. | | | |
| INTTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP) | | | |
| Conditions still to be met - remain liabilities (see note 13). | 330,595 | 3,765,317 | 3,765,317 |
| Rollover | | | |
| Balance unused at beginning of year | 1,175,012 | 1,175,012 | 3,815,012 |
| Current-year receipts | (2,360,883) | (2,360,883) | (2,360,883) |
| Conditions met - transferred to revenue | (2,360,883) | (2,360,883) | - |
| Rollover | | | |
| Balance unused at beginning of year | 3,815,012 | 1,175,012 | 3,815,012 |
| Current-year receipts | (2,360,883) | (2,360,883) | (2,360,883) |
| Conditions met - transferred to revenue | (2,360,883) | (2,360,883) | - |
| Rollover | | | |
| The purpose of the grant is to implement the integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. | | | |
| The purpose of the grant is to implement the integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. | | | |
| Mphumalanga Business Unit Auditor General South Africa 2018 - II - 30 Audited By | | | |

| Notes to the Annual Financial Statements for the Year ended 30 June 2018 | | Figures in Rand | |
|--|---------------|-----------------|------------------------------|
| 22. TRANSFERS AND SUBSIDIES (continued) | | 2018 | 2017 |
| HUMAN SETTLEMENTS GRANT | | | |
| Current-year receipts Conditions met - transferred to revenue | | | |
| 44,000,000 | (44,000,000) | - | - |
| 44,000,000 | (44,000,000) | - | - |
| 44,000,000 | (44,000,000) | - | - |
| 110,000,000 | (110,000,000) | - | - |
| 110,000,000 | (110,000,000) | - | - |
| 150,000,000 | (150,000,000) | - | - |
| 150,000,000 | (150,000,000) | - | - |
| WATER SERVICES INFRASTRUCTURE GRANT | | | |
| The purpose of the grant is to assist in the reticulation of water for the community through increased water storage capacity. | | | |
| Current-year receipts Conditions met - transferred to revenue | | | |
| 44,000,000 | (44,000,000) | - | - |
| 44,000,000 | (44,000,000) | - | - |
| 44,000,000 | (44,000,000) | - | - |
| 110,000,000 | (110,000,000) | - | - |
| 110,000,000 | (110,000,000) | - | - |
| 150,000,000 | (150,000,000) | - | - |
| 150,000,000 | (150,000,000) | - | - |
| MUNICIPAL WATER INFRASTRUCTURE GRANT | | | |
| The purpose of the grant is to facilitate water in various areas of the municipality. | | | |
| Current-year receipts Conditions met - transferred to revenue | | | |
| 60,000,000 | (60,000,000) | - | - |
| 60,000,000 | (60,000,000) | - | - |
| 70,041,592 | 11,120,498 | | |
| 23. PUBLIC CONTRIBUTIONS AND DONATIONS | | | |
| The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service. | | | |
| Current-year receipts Conditions met - transferred to revenue | | | |
| 7,041,592 | 11,120,498 | | |
| 24. FINES AND PENALTIES | | | |
| 1. The municipality received R20 000 and R25 000 from Standard bank & First National Bank respectively. | | | |
| 2. Ehlanzeni District Municipality funded and implemented the upgrading of Agincourt booster and pumping station in Bushbuckridge municipality. | | | |
| The figure relates to traffic fines for the current year. | | | |
| Current year | | 44,454,673 | 11,761,564 |
| Audited | | 2018 - II - 30 | Mpumalanga Business Unit |
| By | | | Auditor General South Africa |
| | | | |

Notes to the Annual Financial Statements for the Year ended 30 June 2018
2018 Figures in Rand

Annual Financial Statements for the Year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

The remuneration of councilors and political office-bearers are within the upper limits.

The Executive Mayor has two full time bodyguards

The Executive Mayor is provided with a Council owned vehicle for official duties.

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

IN-KIND BENEFITS

| | | |
|--------------|-----------------------------------|--------------------|
| Mayor | Majority committee members | Councillors |
| 829,677 | 6,019,826 | 20,539,709 |
| 829,677 | 5,033,855 | 682,821 |
| 829,677 | 682,812 | 21,529,409 |
| 829,677 | 682,812 | 28,072,033 |
| 829,677 | 682,812 | 28,075,753 |

26. REMUNERATION OF COUNCILLORS

DR-LZ Mkhabela was the Director for Gomunity Services Directorate for the year under review.

| | | | | |
|---------------------|---------------|---------------------|---|--|
| Annual Remuneration | Car Allowance | Performance Bonuses | Contributions to UIF, Medical and Pension Funds | SA LG A, Leave Layout and Reimbursement (km) |
| 726,828 | 767,864 | 496,693 | 461,472 | 28,366 |
| 461,472 | 496,693 | 58,933 | 1,785 | 12,569 |
| 726,828 | 767,864 | 58,933 | 1,785 | 12,569 |
| 1,231,020 | 1,339,582 | 14,334 | 14,334 | 1,231,020 |

Remuneration of Director Community Services

Mrs S Mogakane was the Director for Local Economic Development, Planning and Environment for the year under review. Additional

| | | | | | | | | | | | |
|---------------------|---------|---------|---------|---------|--------|--------|--------|--------|---------|-----------|-----------|
| Annual Remuneration | 6,0,240 | 115,42 | 450,085 | 415,527 | 28,366 | 60,135 | 48,237 | 88,177 | 55,510 | 11,1419 | 1,229,299 |
| Car Allowance | 715,42 | 450,085 | 415,527 | 28,366 | 60,135 | 48,237 | 88,177 | 55,510 | 11,1419 | 1,457,998 | 1,229,299 |

Remuneration of Director Local Economic Development Planning and Environment

Mr R Khoza was the Director Corporate Resources during the year under review.

| 25. Employee related costs (continued) | Remuneration of Director Corporate Services | Audited By | Annual Remuneration | Car Allowance | Performance Bonuses | Contributions to UIF, Medical and Retirement Fund | SDL, SALGA, Leave Layout and Reimbursement | Mpumalanga Business Unit | 1,332,864 | 1,217,305 |
|--|---|------------|---------------------|---------------|---------------------|---|--|--------------------------|-----------|-----------|
| 726,828 | 764,202 | 468,504 | 58,933 | 24,765 | 16,450 | 19,716 | 12,540 | | | |
| 446,875 | 446,875 | 446,875 | 11,346 | 11,346 | 11,346 | 11,346 | 11,346 | | | |
| 726,828 | 764,202 | 468,504 | 58,933 | 24,765 | 16,450 | 19,716 | 12,540 | | | |
| | | | 2018 - II - 30 | | | | | | | |

Notes to the Annual Financial Statements for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Figures in Rand

2018 2017

Property, plant and equipment

95,974,687 83,131,938

28. IMPAIRMENT OF ASSETS

Property, plant and equipment

7,944,908 -

29. FINANCIAL COSTS

Trade and other payables

19,331,593 22,850,016

30. DEBT IMPAIRMENT

The interest disclosed is mainly current interest cost for the year.

Debt impairment traffic

3,192,786 66,354,362

Impairment of consumer receivables

16,473,586 144,540,458

Outsourced Services and Consultants

78,814,554 62,085,678

Professional Services and Consultants

44,622,162 33,514,144

Contracts

22,615,693 13,654,162

Outsourced Services and Consultants

109,253,984 146,052,409

OTHER SUBSIDIES

Indigent relief

16,600,813 13,617,199

33. TRANSFERS AND SUBSIDIES

Water

212,877,636 196,493,342

32. CONTRACTED SERVICES

Outsourced Services and Consultants

78,814,554 62,085,678

Professional Services and Consultants

44,622,162 33,514,144

Contracts

22,615,693 13,654,162

Outsourced Services and Consultants

109,253,984 146,052,409

31. BULK PURCHASES

Impairment of consumer receivables

69,547,148 161,014,044

Debt impairment traffic

3,192,786 66,354,362

Outsourced Services and Consultants

16,473,586 144,540,458

Professional Services and Consultants

44,622,162 33,514,144

Contracts

22,615,693 13,654,162

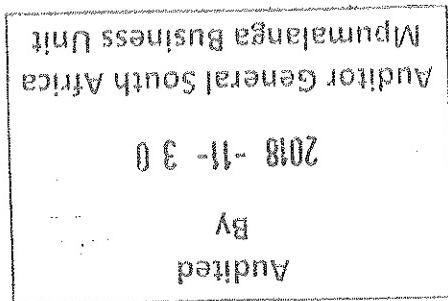
Outsourced Services and Consultants

109,253,984 146,052,409

33. TRANSFERS AND SUBSIDIES

Indigent relief

16,600,813 13,617,199



| Notes to the Annual Financial Statements for the Year ended 30 June 2018 | | Figures in Rand | |
|---|------------|-----------------|------|
| 34. GENERAL EXPENSES | | 2018 | 2017 |
| Advertising | 665,411 | | |
| Auditors remuneration | 5,725,788 | | |
| Bank charges | 508,377 | | |
| Bank discount allowed | 635,806 | | |
| Hire | - | | |
| Insurance | 9,459,454 | | |
| Community development and training | 2,631,380 | | |
| IT expenses | 4,097,906 | | |
| Fuel and oil | 16,727 | | |
| Postage and courier | 2,804,756 | | |
| Printing and stationery | 818,423 | | |
| Protective clothing | 3,402,047 | | |
| Subscriptions and membership fees | 4,813,819 | | |
| Telephone and fax | 267,891 | | |
| Traffic - Local | 5,584,424 | | |
| Utilities - Other | 9,722,642 | | |
| Local Economic Development Expenses | 4,816,477 | | |
| Other expenses | 3,417,808 | | |
| Other assets | 4,048,124 | | |
| Buildings | 4,366,923 | | |
| Infrastructure Assets | 1,896,619 | | |
| Community Assets | 100,668 | | |
| Capital Assets | 3,773,874 | | |
| REPAIRS PER ASSET CLASS | 1,978,151 | | |
| Included in Note 32 for Contracted services is the repairs and maintenance as per the disclosure below: | | | |
| 35. REPAIRS AND MAINTENANCE | | | |
| Repairs and maintenance | 47,609,855 | | |
| Utilities - Other | 9,722,642 | | |
| Local Economic Development Expenses | 4,816,477 | | |
| Other expenses | 3,417,808 | | |
| Other assets | 4,048,124 | | |
| Buildings | 4,366,923 | | |
| Infrastructure Assets | 1,896,619 | | |
| Community Assets | 100,668 | | |
| Capital Assets | 3,773,874 | | |
| Included in Note 32 for Contracted services is the repairs and maintenance as per the disclosure below: | | | |
| 36. AUDITORS' REMUNERATION | | | |
| External Auditors fees | 5,725,788 | | |
| 5,320,715 | | | |
| 2018 - II - 30 | | | |
| Audited | | | |
| By | | | |
| Auditor General South Africa | | | |
| Mpumalanga Business Unit | | | |

Operating lease payments represent rentals payable by the Municipality for certain office equipment and mobile offices. Lease payments represent rentals payable by the Municipality for a period of 36 Months at 0% escalation. The contract for Nashua will come to an end on the 28th February 2019.

Operating lease entered with Nashua is negotiable for an average of three years. No contingent rent is payable. Nashua Lowveld supplied forty photocopying machines to the Municipality for a period of three years. No contingent rent is payable. The term of three years and rental is fixed as per the agreed appointment letter for an average of three years. No contingent rent is payable. Nashua Lowveld supplied forty photocopying

negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating lease payments represent rentals payable by the Municipality for certain office equipment. Leases are

| | |
|-----------|-----------|
| 3,197,661 | 8,005,883 |
| 3,197,661 | - |
| 4,808,222 | 3,197,661 |

- within one year
- in second to fifth year inclusive

MINIMUM LEASE PAYMENTS DUE

OPERATING LEASES - AS LESSEE (EXPENSE)

This committed expenditure relates to plant and equipment and will be financed by inter alia grant funds, existing cash resources and funds internally generated. The committed amounts disclosed is inclusive of VAT.

AUTHORISED OPERATIONAL EXPENDITURE

| | |
|-------------|-------------|
| 258,718,481 | 220,199,432 |
| 268,718,481 | 220,199,432 |
| 258,718,481 | 220,199,432 |

• Property, plant and equipment

• Approved and Contracted for

TOTAL CAPITAL COMMITMENTS

| | |
|---------------|---------------|
| 576,151,228 | 456,502,753 |
| 177,511 | (7,249,734) |
| 13,706 | (44,812,106) |
| (53,875,992) | (114,704,390) |
| (30,838,664) | (109,281,016) |
| (135,307,372) | (130,464,525) |
| (164,118,383) | (166,7303) |
| 314,575 | 314,575 |
| 1,667,303 | 1,667,303 |
| 2,521,346 | - |
| 12,964 | 8,846,101 |
| 69,547,148 | 161,014,044 |
| 5,307,944 | - |
| 8,846,101 | 7,944,908 |
| 9,627,119 | (167,390) |
| 83,131,938 | 96,974,687 |
| 730,231,769 | 499,436,717 |

38. COMMITMENTS

Consumer deposits

Unspent conditional grants and receipts

VAT

Payables from exchange transactions

Receivables from non-exchange transactions

Inventories

Receivables from Exchange Transactions

Payables from Exchange Transactions

Acquired gains

Disposal of assets

Movements in provisions

Debt impairment

Impairment deficit

(Loss) gain on sale of assets and liabilities

Depreciation and amortisation

(Loss) gain on sale of assets and liabilities

Supplies

ADJUSTMENTS FOR:

Depreciation and amortisation

(Loss) gain on sale of assets and liabilities

Supplies

37. CASH GENERATED FROM OPERATIONS

Figures in Rand

| | |
|-------------|-------------|
| 2017 | 2018 |
| 499,436,717 | 730,231,769 |

Notes to the Annual Financial Statements for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

39. CONTINGENCIES

Contingencies arising from pending litigation on contractual disputes and damage claims.

Litigation is in process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the processes is dependent on the setting of dates by the respective courts, the timing of the economic outcome is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below:

CONTINGENT LABILITIES

1. Götbita Basile - The case is in relation to demolition of illegal structures
2. Telkom SA - Alleged damages to property by the municipality

- 2. Telikom SA - Alleged damages to property by the municipality
- 3. Izingwemya 210 Investments CC and Jusilo Security Services - Claim for

3. Izingwewya 210 Investement Cc And Jusito Security Services - Claim for Payment of services 3,101,913
4. NAD Property Fund - Claim for services rendered 23,525,000

4. NDA Property Fund - Claim for services rendered
23,525,000 - -
5. Banmie Job Nobeleni - A claim for damages suffered as a result of
- - 300,000

5. Banerie Job Nobeleni - A claim for damages suffered as a result of demotions, harassments, Capricious Capricious - Claims arising from the municipality for services rendered.

1,138,700 1,138,700 demotions 6. N.I.O/I/EX Services Construction - Claim against the municipality for serializing the Thulamahasha site

7. MGN Security - The case is for illegally providing security services around serving the Thalambacher site

7. MGN Security - The case is for illegally providing security services around 2007 for which the claims were never submitted to the multiplicity unit

2009 101 which the claims were never submitted to the marketplace due
2009 8. Triguisse Motor Trading - Claim for damages as a result of termination of

8. Trudeuse Motor Trading - Claim for damages as a result of termination of contract

Contract 9. Marketplaces Zlivia Inc/MNB Chartered Accountants - An alleged claim for services rendered 4,517,135 4,517,135

10. Mzalo Construction - Claim for alleged non-payment of bulk water supply
9. Maraudia Zimba (Humber Chartered Accountants) - An alleged claim for
10,180.646 10,180.646

10. Malo Construction - Claim for all legal non-payment of bulk water supply
10,180,646

Project 11. Gwenerya Swenkle - A claim for damages as a result of spillage - - 90,000 multigal reservoirs

11. Ayenebo Gabriel - A claim as a result of assault and arrest by traffic officers
12. Ayenebo Gabriel - A claim as a result of assault and arrest by traffic officers

| | | |
|--|-----------|-----------|
| 12. Ayeneo Gabrilel - A claim as a result of assault and arrest by traffic officers | - | 600,000 |
| 13.0 Tsebu Brothers Holdings - A claim as a result of cancellation of agreement to sell business phase 3 | 4,050,157 | 4,050,157 |

13.0.1 Settlement At Malvadra - A claim as a result of cancellation of agreement
14.0.1 Settlement At Malvadra - A claim as a result of damage as a result of

14. Milwaukee Fine Molding - A claim for damages as a result of Thulamahashé dumping site

15. Chisholm has been negligent in failing to provide reasonable care for the Plaintiff's minor child. Chisholm has breached his duty of care to the Plaintiff's minor child.

15. Comprehensive coverage of damage to materials and fixtures - claim for damages
16. Hold Business Enterprise - Claim for services rendered
17. Robert Thibba - Damages

17. Robber Theft - Damages 200,000 200,000 17,964,227
18. Defrauding municipality against a claim for R118 950 000

18. Deferreding muniicipality against a claim for R118 950 000
19. Employee benefits reporting to non-occupant events on make (7)
ACCORDING OFFICER'S report on subsequent events on make (7)

40. RELATED PARTIES

Key Management Personnel and Councilors in nature are related parties as a disclosure in this regard was provided. Related party transactions mainly of the supply of goods and services to the municipality. The businesses are owned by close family members of staff, as detailed: Maitlandayapale - Ms Moripe an SCM officer with the municipality she is a sister to the Director. Richbless - Mr. Mkhabela Salaries Accountant for the municipality, he is a cousin to the Director.

RELATED PARTY BALANCES

Ricchies Trading Pty(Ltd) Matilda-napelle Investments Properties

**Auditor General South Africa
Mpumalanga Business Unit**

Mpumalanga Business Unit
Auditor General South Africa

The Internal Audit unit has investigated the unauthorised expenditure for the 2016/17 financial year. The current year unauthorised expenditure is under investigation by Internal Audit unit.

| Opening balance | Current year | Closing off |
|-----------------|--------------|---------------|
| 467,183,789 | 411,862,979 | 467,183,789 |
| 45,172,819 | 55,320,810 | (120,431,810) |
| 467,183,789 | 391,924,798 | 391,924,798 |
| | | 467,183,789 |

42. UNAUTHORISED EXPENDITURE

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

INTEREST RATE RISK

Market risk is the risk that changes in market prices such as interest rates affect the municipality's income or the value of financial instruments held by the municipality.

MARKET RISK

MARKET RISK
 Financial instruments
 FNB Bank
 Standard Bank
 Receivable from each
 Accounts from non
 Receivable from each
 Available Payable

Financial assets exposed to credit risk at year end were as follows:

Trade receivables comprises a widespread customer base. Management evaluates risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, credit control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and other receivables. The credit risk of cash deposits with major banks with high quality credit standing and limited exposure to any one counterparty only depends on the liquidity of major banks.

Credit risk is the risk that one party to a financial transaction will default on its debt payments to the other party.

CREDUL RISKA

In the municipality's risk register as a result of the threats available to cover future commitments, the municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

LIQUIDITY RISK

41. RISK MANAGEMENT

Figures in Rand 2018 2017

Notes to the Annual Financial Statements for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2018

43. FRUITLESS AND WASTEFUL EXPENDITURE

Figures in Rand 2017 2018 2019

| | | |
|--|------------|--|
| Openning balance | 27,607,877 | |
| Audititor General | 390,322 | |
| Eskom | 13,283 | |
| SAPS Penalties and interest | 46,096 | |
| Fruitless and wasteful expenditure for prior year identified in current year | 90,868 | |
| Nashua | 39,414 | |
| Telkom | 12,094 | |
| Rand Water | 16,486 | |
| Avis Car Rental | 6,498 | |
| Avia | 14,497,817 | |
| Municipal truck repairs | 2,260 | |
| - | 7,718 | |
| - | 27,607,877 | |

44. IRREGULAR EXPENDITURE

Fruitless and wasteful expenditure for the current year is largely composed of Rand water, Auditor General, Eskom and interest on bank overdraft. The expenditure is being investigated by Internal Audit Unit.

44. IRREGULAR ENDINGS

| Openning balance | Less: Amounts written off | Current year irregular expenditure | Irregular expenditure for prior year identified in current year | 2016/17 irregular expenditure identified during the audit | Additional irregular expenditure identified by the auditor general | Recovered from Councilillors |
|------------------|---------------------------|------------------------------------|---|---|--|------------------------------|
| £,836,110,279 | £,836,110,279 | 51,415,758 | 45,526,478 | (1,116,719,23) | - | - |
| | | 90,320,704 | 7,170,991 | 73,755,190 | - | - |
| | | 50,320,704 | 7,170,991 | 73,755,190 | - | - |
| | | 51,415,758 | (683,597) | (683,597) | - | - |
| | | 438,588,852 | | | | |
| | | 936,140,722 | | | | |

45. ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

The municipality was in the process of conducting investigations for the 2017/18 irregular expenditure and the process could not be concluded as it was impracticable to carryout the process before finalisation of the audit.

SALGAE

Decrease in surplus
Operating income
Public contributions and donations

- Land values for the 2016-17 were restated. The restatement was to effect the changes as per the deeds information.
- Receivable from exchange and non exchange transactions emanated from corrections of incorrect billing done to certain customers.
- Payables from exchange transaction adjustment were due, involving of suppliers, write off of supplier debit balances.
- Other property plant and equipment relates to accumulated depreciation for furniture and fittings.
- Operating income: Donations reclassified to public contributions and donations .
- All donations are non-exchange transactions hence the reclassification to public contributions from other income under revenue from exchange transactions. This will give the user a more reliable and relevant information.

47. PRIOR PERIOD ERRORS

The reclassification in the annual financial statements provides a reliable and more relevant information about the effects of the transactions on the multicapital. The reclassification was done retrospectively to allow and enable faithful representation of the status quo of each transaction or class of transactions. The expenditure is classified based on the nature of the expense to provide reliable and relevant information.

General expenses and materials needed to contract services

RECLASSIFICATION

The following reclassifications adjustment occurred:

RECLASSIFICATIONS

2017

DISCLOSURE NOTES

46. RECLASIFICATION

Notes to the Annual financial statements for the year ended 30 June 2018

Notes to the Annual Financial Statements for the year ended 30 June 2018

Annual Financial Statements for the year ended 30 June 2018

BUSHBUCKRIDGE LOCAL MUNICIPALITY